



Hibiscus Coast Municipality
Financial statements
for the year ended June 30, 2014

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

General Information

Legal form of entity	Municipality (MFMA)
Nature of business and principal activities	Local Municipality
Executive committee	
Mayor	Cllr NC Mqwebu
Executive committee members	Cllr R Nair (Speaker) Cllr De Wet (Deputy Mayor) Cllr DH Njoko Cllr Rademeyer Cllr NA Madlala Cllr S Maphumulo (Chief Whip) Cllr MT Lubanyana Cllr JS Ngwane Cllr D Rawlins Cllr DI Watson
Grading of local authority	Grade 4 High Capacity (KZN 216)
Accounting Officer	Sihle Maxwell Mbili
Chief Finance Officer (CFO)	Thabisile Khuzwayo
Registered office	10 Connor Street Port Shepstone 4240
Business address	10 Connor Street Port Shepstone 4240
Postal address	P.O BOX 5 Port Shepstone 4240
Bankers	Nedbank
Auditors	Auditor-General
Preparer	The financial statements were internally compiled by: Budget and Treasury Office
Published	August 29 , 2014

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2015 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements are prepared on the basis that the municipality is a going concern and that the municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer are primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for auditing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's audit committee and internal auditors.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for the loss of office, if any, as disclosed in notes of these annual financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Office Bearers Act and the Minister of Local Government's determination in accordance with this act.

The financial statements, which have been prepared on the going concern basis, were approved by the accounting officer on August 29, 2014 and were signed on its behalf by:

Sihle Maxwell Mbili
Municipal Manager

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Statement of Financial Position as at June 30, 2014

Figures in Rand	Note(s)	2014	Restated 2013
Assets			
Current Assets			
Long-term receivables	9	1,271,921	948,615
Inventories	11	3,137,502	2,745,620
Receivables from non-exchange transactions	12	132,856,633	113,173,810
VAT receivable	13	7,683,631	6,012,737
Receivables from exchange transactions	14	42,986,511	38,529,263
Cash and cash equivalents	15	150,715,422	150,124,127
		338,651,620	311,534,172
Non-Current Assets			
Investment property	5	280,014,003	278,812,856
Property, plant and equipment	6	964,722,472	940,705,317
Intangible assets	7	540,653	786,069
Heritage assets	8	1,230,501	1,131,608
Long-term receivables	9	8,762,119	10,375,231
		1,255,269,748	1,231,811,081
Total Assets		1,593,921,368	1,543,345,253
Liabilities			
Current Liabilities			
Long-term liabilities	19	6,373,764	5,317,584
Payables from exchange transactions	21	123,671,621	97,124,562
Consumer deposits	22	19,328,882	18,036,835
Post retirement health care benefits liability	10	2,640,000	2,054,000
Unspent conditional grants and receipts	18	7,525,099	1,620,094
Provisions	20	26,748,000	23,700,600
Long service awards benefits liability	10	1,617,000	1,119,000
		187,904,366	148,972,675
Non-Current Liabilities			
Long-term liabilities	19	40,710,492	47,646,012
Post retirement health care benefits liability	10	58,878,000	50,441,000
Long service awards benefits liability	10	14,305,000	8,678,000
		113,893,492	106,765,012
Total Liabilities		301,797,858	255,737,687
Net Assets		1,292,123,510	1,287,607,566
Reserves			
Revaluation reserve		394,498,479	395,427,206
Accumulated surplus	16	897,625,031	892,180,360
Total Net Assets		1,292,123,510	1,287,607,566

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Statement of Financial Performance

Figures in Rand	Note(s)	2014	Restated 2013
Revenue			
Revenue from exchange transactions			
Service charges	26	127,014,572	121,991,710
Rental of facilities and equipment		2,309,352	1,777,873
Interest received		9,381,701	8,986,058
Income from agency services		4,321,479	3,920,419
Licences and permits		5,510,732	5,964,970
Other income	29	13,727,807	18,541,163
Interest received - investment	34	5,503,599	6,718,379
Total revenue from exchange transactions		167,769,242	167,900,572
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	278,498,313	263,953,089
Property rates - penalties imposed	25	160,499	379,036
Transfer revenue			
Government grants & subsidies	27	169,190,674	126,453,592
Fines		38,009,367	3,661,678
Public contributions and donations	28	-	5,612
Total revenue from non-exchange transactions		485,858,853	394,453,007
Total revenue	24	653,628,095	562,353,579
Expenditure			
Personnel	31	(279,814,311)	(249,130,000)
Remuneration of councillors	32	(17,836,788)	(16,417,122)
Depreciation and amortisation	36	(55,390,874)	(57,944,358)
Impairment loss/ Reversal of impairments	37	(214,017)	(964,150)
Finance costs	38	(5,909,705)	(6,517,105)
Debt impairment	33	(1,926,289)	(668,744)
Repairs and maintenance		(36,626,969)	(37,264,843)
Bulk purchases	41	(67,662,468)	(63,982,441)
Contracted services	40	(27,420,689)	(24,982,258)
Grants and subsidies paid		(5,777,196)	(8,528,603)
General Expenses	30	(147,856,801)	(101,679,765)
Audit fees	39	(2,130,240)	(2,650,260)
Contribution/(Reversal) to landfill site	20	(3,047,000)	1,011,536
Total expenditure		(651,613,347)	(569,718,113)
Operating surplus (deficit)		2,014,748	(7,364,534)
(Write down) reversal of inventory write down		70,151	8,015
Fair value adjustments	35	1,201,146	(36,416,453)
Loss/(Gain) on sale of property plant and equipment		1,264,106	(422,356)
		2,535,403	(36,830,794)
Surplus (deficit) for the year		4,550,151	(44,195,328)

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Balance at July 01, 2012	402,648,138	512,705,695	915,353,833
Changes in net assets			
Surplus for the year	-	(44,195,328)	(44,195,328)
Offsetting of depreciation	(7,220,932)	7,220,932	-
Total changes	(7,220,932)	(36,974,396)	(44,195,328)
Opening balance as previously reported	395,427,206	475,731,298	871,158,504
Adjustments			
Prior period errors(Note 45)	-	381,716,648	381,716,648
Change in accounting policy (Note 2)	-	36,261,680	36,261,680
Prior year adjustments	-	(1,529,266)	(1,529,266)
Balance at July 01, 2013 as restated*	395,427,206	892,180,360	1,287,607,566
Changes in net assets			
Surplus for the year	-	4,550,151	4,550,151
Offsetting of depreciation	(928,727)	928,727	-
Change in accounting estimates -PPE	-	(34,207)	(34,207)
Total changes	(928,727)	5,444,671	4,515,944
Balance at June 30, 2014	394,498,479	897,625,031	1,292,123,510

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Cash Flow Statement

Figures in Rand	Note(s)	2014	Restated 2013
Cash flows from operating activities			
Receipts			
Sale of goods and services		619,672,310	491,257,745
Interest income		5,503,599	6,718,379
Interest earned on arrear debtors		9,381,701	8,986,058
		634,557,610	506,962,182
Payments			
Employee costs and suppliers		(544,559,704)	(468,345,890)
Finance costs		(5,909,705)	(6,517,105)
		(550,469,409)	(474,862,995)
Net cash flows from operating activities	42	84,088,201	32,099,187
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(79,375,028)	(53,655,201)
Purchase of other intangible assets	7	(1,602)	(50,243)
Purchases of heritage assets	8	(98,893)	-
Movements in other financial assets		1,359,957	976,309
Net cash flows from investing activities		(78,115,566)	(52,729,135)
Cash flows from financing activities			
Repayment of long-term liabilities		(5,879,340)	(7,729,380)
Movement in other liability		498,000	1,277,205
Net cash flows from financing activities		(5,381,340)	(6,452,175)
Net increase/(decrease) in cash and cash equivalents		591,295	(27,082,123)
Cash and cash equivalents at the beginning of the year		150,124,127	177,206,251
Cash and cash equivalents at the end of the year	15	150,715,422	150,124,127

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

Statement of Financial Performance

Revenue

Revenue from exchange transactions

Service charges	142,714,000	-	142,714,000	127,014,572	(15,699,428)
Rental of facilities and equipment	2,414,000	-	2,414,000	2,309,352	(104,648)
Interest received	9,488,000	-	9,488,000	9,381,701	(106,299)
Income from agency services	3,960,000	340,000	4,300,000	4,321,479	21,479
Licences and permits	6,435,000	-	6,435,000	5,510,732	(924,268)
Other income	11,403,000	1,794,000	13,197,000	13,727,807	530,807
Interest received - investment	5,525,000	-	5,525,000	5,503,599	(21,401)

Total revenue from exchange transactions	181,939,000	2,134,000	184,073,000	167,769,242	(16,303,758)
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Revenue from non-exchange transactions

Taxation revenue

Property rates	289,374,000	-	289,374,000	278,498,313	(10,875,687)
Government grants & subsidies	111,786,000	3,129,000	114,915,000	169,190,674	54,275,674

Transfer revenue

Fines	9,904,000	-	9,904,000	38,009,367	28,105,367
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Total revenue from non-exchange transactions	411,064,000	3,129,000	414,193,000	485,698,354	71,505,354
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Total revenue	593,003,000	5,263,000	598,266,000	653,467,596	55,201,596
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Expenditure

Personnel	(265,522,000)	(15,959,000)	(281,481,000)	(279,814,311)	1,666,689
Remuneration of councillors	(17,708,000)	(212,000)	(17,920,000)	(17,836,788)	83,212
Depreciation and amortisation	(48,440,000)	(11,260,000)	(59,700,000)	(55,390,874)	4,309,126
Impairment loss/ Reversal of impairments	-	(300,000)	(300,000)	(214,017)	85,983
Finance costs	(6,696,000)	348,000	(6,348,000)	(5,909,705)	438,295
Debt impairment	(669,000)	(1,529,000)	(2,198,000)	(1,926,289)	271,711
Repairs and maintenance	(38,244,000)	1,244,000	(37,000,000)	(36,626,969)	373,031
Bulk purchases	(64,496,000)	(3,860,000)	(68,356,000)	(67,662,468)	693,532
Contracted Services	(26,365,375)	(2,025,000)	(28,390,375)	(27,420,689)	969,686
Grants and subsidies paid	(4,036,000)	(1,407,000)	(5,443,000)	(5,777,196)	(334,196)
General Expenses	(120,826,625)	(37,135,000)	(157,961,625)	(153,034,041)	4,927,584

Total expenditure	(593,003,000)	(72,095,000)	(665,098,000)	(651,613,347)	13,484,653
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Operating surplus	-	(66,832,000)	(66,832,000)	1,854,249	68,686,249
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Fair value adjustments	-	-	-	1,201,146	1,201,146
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Gain on non-current assets held for sale or disposal groups	-	-	-	1,264,106	1,264,106
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	-	-	-	2,465,252	2,465,252
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Surplus before taxation	-	(66,832,000)	(66,832,000)	4,319,501	71,151,501
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Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Cash Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	-	(66,832,000)	(66,832,000)	4,319,501	71,151,501	

Hibiscus Coast Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2014											
Financial Performance											
Property rates	289,374,000	-	289,374,000	-		289,374,000	278,658,812		(10,715,188)	96 %	96 %
Service charges	142,714,000	-	142,714,000	-		142,714,000	127,014,572		(15,699,428)	89 %	89 %
Investment revenue	15,013,000	-	15,013,000	-		15,013,000	5,503,599		(9,509,401)	37 %	37 %
Transfers recognised - operational	111,786,000	3,129,000	114,915,000	-		114,915,000	135,642,822		20,727,822	118 %	121 %
Other own revenue	34,116,000	2,134,000	36,250,000	-		36,250,000	75,795,841		39,545,841	209 %	222 %
Total revenue (excluding capital transfers and contributions)	593,003,000	5,263,000	598,266,000	-		598,266,000	622,615,646		24,349,646	104 %	105 %
Employee costs	(265,522,000)	291,000	(265,231,000)	-	-	(265,231,000)	(279,814,311)	-	(14,583,311)	105 %	105 %
Remuneration of councillors	(17,708,000)	-	(17,708,000)	-	-	(17,708,000)	(17,836,788)	-	(128,788)	101 %	101 %
Debt impairment	(1,999,000)	-	(1,999,000)			(1,999,000)	(1,926,289)	-	72,711	96 %	96 %
Depreciation and asset impairment	(48,440,202)	-	(48,440,202)			(48,440,202)	(55,604,891)	-	(7,164,689)	115 %	115 %
Finance charges	(6,997,919)	(302,000)	(7,299,919)	-	-	(7,299,919)	(5,909,705)	-	1,390,214	81 %	84 %
Materials and bulk purchases	(64,496,000)	-	(64,496,000)	-	-	(64,496,000)	(67,662,468)	-	(3,166,468)	105 %	105 %
Transfers and grants	(4,036,000)	-	(4,036,000)	-	-	(4,036,000)	(5,777,196)	-	(1,741,196)	143 %	143 %
Other expenditure	(183,803,879)	(39,659,059)	(223,462,938)	-	-	(223,462,938)	(217,081,699)	-	6,381,239	97 %	118 %
Total expenditure	(593,003,000)	(39,670,059)	(632,673,059)	-	-	(632,673,059)	(651,613,347)	-	(18,940,288)	103 %	110 %
Surplus/(Deficit)	-	(34,407,059)	(34,407,059)	-		(34,407,059)	(28,997,701)		5,409,358	84 %	DIV/0 %

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	-	6,696,105	6,696,105	-		6,696,105	33,547,852		26,851,747	501 %	DIV/0 %
Contributions recognised - capital and contributed assets	594,000	120,000	714,000	-		714,000	-		(714,000)	- %	- %
Surplus (Deficit) after capital transfers and contributions	594,000	(27,590,954)	(26,996,954)	-		(26,996,954)	4,550,151		31,547,105	(17)%	766 %
Surplus/(Deficit) for the year	594,000	(27,590,954)	(26,996,954)	-		(26,996,954)	4,550,151		31,547,105	(17)%	766 %
Capital expenditure and funds sources											
Total capital expenditure	139,521,000	(44,790,059)	94,730,941	-		94,730,941	79,154,267		(15,576,674)	84 %	57 %
Sources of capital funds											
Transfers recognised - capital	94,360,000	(45,679,059)	48,680,941	-		48,680,941	44,595,178		(4,085,763)	92 %	47 %
Internally generated funds	45,161,000	889,000	46,050,000	-		46,050,000	34,559,088		(11,490,912)	75 %	77 %
Total sources of capital funds	139,521,000	(44,790,059)	94,730,941	-		94,730,941	79,154,266		(15,576,675)	84 %	57 %

Hibiscus Coast Municipality

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Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows											
Net cash from (used) operating	108,867,000	(57,759,000)	51,108,000	-		51,108,000	84,088,201		32,980,201	165 %	77 %
Net cash from (used) investing	129,845,000	(42,245,000)	87,600,000	-		87,600,000	(78,115,566)		(165,715,566)	(89)%	(60)%
Net cash from (used) financing	6,032,000	(1,560,000)	4,472,000	-		4,472,000	(5,381,340)		(9,853,340)	(120)%	(89)%
Net increase/(decrease) in cash and cash equivalents	244,744,000	(101,564,000)	143,180,000	-		143,180,000	591,295		(142,588,705)	- %	- %
Cash and cash equivalents at the beginning of the year	143,627,000	-	143,627,000	-		143,627,000	150,124,127		6,497,127	105 %	105 %
Cash and cash equivalents at year end	388,371,000	(101,564,000)	286,807,000	-		286,807,000	150,715,422		136,091,578	53 %	39 %

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 2 Changes in accounting policy.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the municipality is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

Impairment testing

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred for each group of assets.

Hibiscus Coast Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 20 - Provisions.

Useful lives of property ,plant and equipment

The municipality's management determines the estimated useful lives and related depreciation charges for the property ,plant and equipment. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 10.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Budget Information

Deviations between budget and actual amounts are regarded as material differences when a 10% deviation exists. All material differences are explained in the relevant notes to the annual financial statements

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Accounting Policies

1.4 Investment property (continued)

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Accounting Policies

1.5 Property, plant and equipment (continued)

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period .

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment is carried at revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited in revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The useful lives of items of property, plant and equipment have been assessed as follows:

Asset Class	Average useful life
Infrastructure	
• Roads and paving	5- 30 Years
• Electricity	10-30 Years
• Solid waste disposal	10-30 Years
Community	
• Recreational facilities	20-30 Years
• Buildings and other structures	20-30 Years
• Improvements	20-30 Years
Land and Buildings	
• Dwellings	10-30 Years
• Non-residential dwellings	10-30 Years

Accounting Policies

1.5 Property, plant and equipment (continued)

Other Assets

• Bins and containers	5-10 Years
• Computers and office equipment	4-5 Years
• Furniture and fittings	5-10 Years
• General motor vehicles	4-5 Years
• Specialised motor vehicles	15-20 Years
• Plant and equipment	1-15 Years
• Security measures	4-5 Years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Accounting Policies

1.6 Intangible assets (continued)

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years
Servitudes	Indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss is the difference between the net disposal proceeds, if any, and the carrying amount. It is recognised in surplus or deficit when the asset is derecognised.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably. Where the municipality holds a heritage asset, but on initial recognition, it does not meet the recognition criteria because it cannot be reliably measured, information on such heritage asset is disclosed in the note on heritage assets.

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Accounting Policies

1.7 Heritage assets (continued)

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

Transitional provision

The municipality changed its accounting policy for heritage assets in 2013. The change in accounting policy is made in accordance with its transitional provision as per Directive 3 of the GRAP Reporting Framework.

According to the transitional provision, the municipality is not required to measure heritage assets for reporting periods beginning on or after a date within three years following the date of initial adoption of the Standard of GRAP on Heritage assets. Heritage assets have accordingly been recognised at provisional amounts, as disclosed. The transitional provision expires on 6/30/2015.

1.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or

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Accounting Policies

1.8 Financial instruments (continued)

- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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Accounting Policies

1.8 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade receivables from exchange transactions	Financial asset measured at amortised cost
Trade receivables from non-exchange transactions	Financial asset measured at amortised cost
Bank , cash and cash equivalents	Financial asset measured at amortised cost
Long-term receivables	Financial asset measured at amortised cost
Current portion of long-term receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Trade payables from exchange transactions	Financial liability measured at amortised cost
Trade payables from non-exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost
Long-term liabilities	Financial liability measured at amortised cost
Current portion of long-term liabilities	Financial liability measured at amortised cost

Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

The municipality recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at amortised cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Impairment and uncollectibility of financial assets

The municipality assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.8 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Derecognition

Financial assets

The municipality derecognises a financial asset only when:

- the municipality transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the municipality, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality :
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the municipality transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the municipality has retained substantially all the risks and rewards of ownership of the transferred asset, the municipality continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the municipality recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Hibiscus Coast Municipality

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Accounting Policies

1.8 Financial instruments (continued)

Financial liabilities

The municipality removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another municipality by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Trade and other receivables

Long-term and short-term trade receivables are initially recognised at fair value, and are subsequently measured at amortised cost method, less provision for impairment. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end in detail. The recoverability of debt owing by each debtor in the top 40% is assessed and irrecoverable amount is provided for. The remaining 60% of debtors is classified based on category and area. Each classification is analysed and based on the circumstances, the recoverability is determined and the irrecoverable amounts are provided for. No provision is calculated for government debts and property rates as these cannot be written off.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognised in the Statement of financial performance within operating expenses.

Trade and other payables

Trade payables (Including consumer deposits) are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

Liabilities for annual leave (accrued leave pay) are recognised as they accrue to employees and is based on the value of the accrued leave credits as at 30 June.

Cash and cash equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purpose of the Cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts.

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

Accounting Policies

1.9 Leases (continued)

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Any contingent rents are expensed in the period in which they are incurred.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

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1.11 Impairment of cash-generating assets (continued)

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

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1.11 Impairment of cash-generating assets (continued)

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

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Accounting Policies

1.11 Impairment of cash-generating assets (continued)

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

Reversal of impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.12 Impairment of non-cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Accounting Policies

1.12 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.13 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

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Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which the municipality provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

Accounting Policies

1.13 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

Accounting Policies

1.13 Employee benefits (continued)

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Hibiscus Coast Municipality

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Accounting Policies

1.13 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.14 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 44.

The municipality has an obligation to rehabilitate its landfill site in terms of licence stipulations. A provision was established from 2007/08. The amount of the provision is recognised at the present value of the expenditure expected to be required to settle the obligation and is carried at amortised cost.

1.15 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Hibiscus Coast Municipality

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Accounting Policies

1.15 Revenue from exchange transactions (continued)

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest

Interest earned on investments is recognised on a time proportionate basis that takes into account the effective yield on the investments. Interest earned on outstanding debtors is recognised on a time proportionate basis.

Service charges

Service charges relating to electricity are based on consumption. Waste removal is based on the size of the bin and the number of times it is collected. Meters are read and billed on a monthly basis and revenue is recognised when invoiced. Estimates of consumption are made monthly when meter readings have not been performed. The estimates of consumption are recognised as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period. Waste removal services are billed on a monthly basis.

Income from agency services

Income from agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of an agency agreement.

Services provided on a prepayment basis

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.15 Revenue from exchange transactions (continued)

Various services are provided on a prepayment basis in which no formal billing takes place and revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date.

1.16 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transactions, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes

The municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the municipality controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

The municipality analyses the taxation laws to determine what the taxable events are for the various taxes levied.

The taxable event for property tax is the passing of the date on which the tax is levied, or the period for which the tax is levied, if the tax is levied on a periodic basis.

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The municipality recognise revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability, provided that the debt forgiveness does not satisfy the definition of a contribution from owners.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. The full amount of traffic fines is recognised at the initial transaction date and subsequent to initial recognition the best estimate is made to assess the probability of collecting traffic fines issued.

Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.16 Revenue from non-exchange transactions (continued)

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Services in-kind

Services in-kind are not recognised but are disclosed in the notes to the financial statements.

Concessionary loans received

A concessionary loan is a loan granted to or received by the municipality or municipal entity on terms that are not market related.

The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction. The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest.

The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the cash flow statement recognises revenue as and when it satisfies the conditions of the loan agreement.

Grants and receipts

Revenue received from conditional grants and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised. Unconditional grants and receipts are recognised upon receipts.

1.17 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing costs

It is inappropriate to capitalise borrowing costs when, and only when, there is clear evidence that it is difficult to link the borrowing requirements of an entity directly to the nature of the expenditure to be funded i.e. capital or current.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparatives amounts are reclassified. The nature and reason for the reclassification is disclosed.

Where accounting errors have been identified in the current financial year the correction is made retrospectively as far as it is practical and prior year comparatives are restated accordingly.

The comparatives (Accounting policy and disclosures) may not be consistent with the current year accounting policies and disclosures due to implementation of the new GRAP standards.

1.20 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.20 Unauthorised expenditure (continued)

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.24 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.25 Grant -In-Aid

The municipality transfers money to individuals, organisations and other sectors of government from time to time. When making these transfers, the municipality does not receive goods or service delivery in return, as would have been expected in a purchase or sale. These transfers are recognised in the Statement of financial performance as an expense in the period that the events giving rise to the transfer.

1.26 Commitments

The amount of capital commitments contracted for at the reporting date and which have not been recognised as liabilities are disclosed by way of a note.

1.27 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a cash basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 6/30/2012 to 6/30/2013.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Accounting Policies

1.27 Budget information (continued)

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are not on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

1.28 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.29 Events after reporting dates

Events after the reporting date are classified as adjusting events are accounted for in the financial statements and events after the reporting dates that are classified as non-adjusting events are disclosed in the notes to the financial statements.

1.30 Value added tax

Value added tax on revenue and expenditure transactions are recorded in the books of the municipality on the accrual basis of accounting, however South African Revenue Services has registered and permitted the municipality to use the payment basis for determining the amounts due to or from South African Revenue Services.

1.31 Change in accounting policy, estimate and errors

Changes in accounting policies that are effected by management have been applied retrospectively in accordance with GRAP3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the change in accounting policy. In such a case the municipality will restate the opening balances of the assets, liabilities and net assets for the earliest period for which retrospective application is practicable. Refer to note 2.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of the change in estimates are disclosed in the notes to the annual financial statements where applicable

Correction of error that are effected by management have been applied retrospectively in accordance with GRAP 3 requirements, to the extent that it is impracticable to determine the period end specific effect or the cumulative effect of the error. In such a case the municipality will restate the opening balances of the assets, Liabilities and net assets for the earliest period for which retrospective restatement is practicable

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
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2. Changes in accounting policy

The municipality have adopted the following GRAP Standards for the first time during the financial year 2013-2014 in order to comply with the basis of preparation of the Annual Financial Statements as disclosed in Accounting Policy 1

- GRAP 25 Employee Benefits
- GRAP 31 Intangible Assets
- iGRAP 1 Applying Probability Test on Initial Recognition of Revenue
- GRAP 23 Revenue From Non-Exchange Transactions

2.1 GRAP 31- Intangible Assets

The municipality changed its accounting policy from GRAP 102 to GRAP 31 with no effect on the financial information previously reported.

2.2 GRAP 25 Employee Benefits

The municipality changed its accounting policy from IAS 19 to GRAP 25 with no effect on the financial information previously disclosed except an additional disclosure in terms of GRAP 25.

2.3 GRAP 23 - Revenue from non-exchange transactions

During the year, the municipality changed its accounting policy with respect to the treatment of traffic fines. Previously the municipality has been accounting for traffic fines on cash basis and in terms of GRAP 23 traffic fines are accounted on accrual basis (ie The date of the issue of traffic fine) .

The change in accounting policy has been applied retrospectively and prior year figures of revenue from non-exchange transactions and accumulated surplus have been restated.

Other receivables from non-exchange transactions

Balance previously published as per AFS 30 June 2013	-	76,912,130
Traffic fines raised for the 30 June 2013 financial year	-	39,881,400
Traffic fines received during the year 30 June 2013	-	(3,619,720)
Balance now published as per AFS 30 June 2013	-	113,173,810

Notes to the Financial Statements

3. New standards and interpretations

3.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 25: Employee benefits

The objective of GRAP25 is to prescribe the accounting and disclosure for employee benefits. The Standard requires an municipality to recognise:

- a liability when an employee has provided service in exchange for employee benefits to be paid in the future; and
- an expense when an municipality consumes the economic benefits or service potential arising from service provided by an employee in exchange for employee benefits.

GRAP25 must be applied by an employer in accounting for all employee benefits, except share based payment transactions.

GRAP25 defines, amongst others, the following:

- Employee benefits as all forms of consideration given by an municipality in exchange for service rendered by employees;
- Defined contribution plans as post-employment benefit plans under which an municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods;
- Defined benefit plans as post-employment benefit plans other than defined contribution plans;
- Multi-employer plans as defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that:
 - pool the assets contributed by various entities that are not under common control; and
 - use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the municipality that employs the employees concerned;
- Other long-term employee benefits as employee benefits (other than post-employment benefits and termination benefits) that is not due to be settled within twelve months after the end of the period in which the employees render the related service;
- Post-employment benefits as employee benefits (other than termination benefits) which are payable after the completion of employment;
- Post-employment benefit plans as formal or informal arrangements under which an municipality provides post-employment benefits for one or more employees;
- Short-term employee benefits as employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service;
- State plans as plans other than composite social security programmes established by legislation which operate as if they are multi-employer plans for all entities in economic categories laid down in legislation;
- Termination benefits as employee benefits payable as a result of either:
 - an entity's decision to terminate an employee's employment before the normal retirement date; or
 - an employee's decision to accept voluntary redundancy in exchange for those benefits;
- Vested employee benefits as employee benefits that are not conditional on future employment.

The standard states the recognition, measurement and disclosure requirements of:

- Short-term employee benefits;
 - All short-term employee benefits;
 - Short-term compensated absences;
 - Bonus, incentive and performance related payments;
- Post-employment benefits: Defined contribution plans;
- Other long-term employee benefits;
- Termination benefits.

The standard states Post-employment benefits: Distinction between defined contribution plans and defined benefit plans:

- Multi-employer plans;
- Defined benefit plans where the participating entities are under common control;
- State plans;
- Composite social security programmes;

Notes to the Financial Statements

3. New standards and interpretations (continued)

- Insured benefits.

The standard states, for Post-employment benefits: Defined benefit plans, the following requirements:

- Recognition and measurement;
- Presentation;
- Disclosure;
- Accounting for the constructive obligation;
- Statement of financial position;
- Asset recognition ceiling;
- Asset recognition ceiling: When a minimum funding requirement may give rise to a liability;
- Statement of financial performance.

The standard prescribes recognition and measurement for:

- Present value of defined benefit obligations and current service cost:
 - Actuarial valuation method;
 - Attributing benefits to periods of service;
 - Actuarial assumptions;
 - Actuarial assumptions: Discount rate;
 - Actuarial assumptions: Salaries, benefits and medical costs;
 - Actuarial gains and losses;
 - Past service cost.
- Plan assets:
 - Fair value of plan assets;
 - Reimbursements;
 - Return on plan assets.

The standard also deals with Entity combinations and Curtailments and settlements.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after April 01, 2013.

The municipality has adopted the standard for the first time in the 2014 financial statements.

The adoption of this standard has not had a material impact on the results of the municipality, but has resulted in more disclosure than would have previously been provided in the financial statements.

GRAP 31 (as revised 2012): Intangible Assets (Replaces GRAP 102)

Numerous paragraphs were amended by the improvements to the Standards of GRAP issued previously:

Changes made comprise 3 areas that can be summarised as follows:

- Consequential amendments arising from the alignment of the accounting treatment and text of GRAP 102 with that in IPSAS 31,
- The deletion of guidance and examples from Interpretations issues by the IASB previously included in GRAP102,
- Changes to ensure consistency between the Standards, or to clarify existing principles.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after April 01, 2013.

The municipality has adopted the amendment for the first time in the 2014 financial statements.

It is unlikely that the amendment will have a material impact on the municipality's financial statements.

Notes to the Financial Statements

3. New standards and interpretations (continued)

3.2 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been issued but are not yet applicable and have not been early adopted by the municipality. Where a standard of GRAP has been issued but not yet in effect and have not been gazetted by the Minister of Finance, the municipality may not early adopt Standards of GRAP but allowed to use the Standard of GRAP in formulating an accounting policy.

GRAP 18: Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

Directive 3 - Transitional provisions for high capacity municipalities states that no comparative segment information need to be presented on initial adoption of the Standard. Where items have not been recognised as a result of transitional provisions under the Standard of GRAP on Property, Plant and Equipment, recognition requirements of this Standard would not apply to such items until the transitional provision in that Standard expires.

The effective date of the standard is for years beginning on or after April 01, 2016.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP 105: Transfers of functions between entities under common control

The objective of this Standard is to establish accounting principles for the acquirer and transferor in a transfer of functions between entities under common control. It requires an acquirer and a transferor that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying the acquirer and transferor, Determining the transfer date, Assets acquired or transferred and liabilities assumed or relinquished, Accounting by the acquirer and transferor, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after April 01, 2014.

The municipality expects to adopt the standard for the first time in the 2015 financial statements.

The municipality is unable to reliably estimate the impact of the amendment on the financial statements.

GRAP 106: Transfers of functions between entities not under common control

Notes to the Financial Statements

3. New standards and interpretations (continued)

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after April 01, 2014.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The municipality is unable to reliably estimate the impact of the amendment on the financial statements.

GRAP 107: Mergers

The objective of this Standard is to establish accounting principles for the acquirer in a transfer of functions between entities not under common control. It requires an entity that prepares and presents financial statements under the accrual basis of accounting to apply this Standard to a transaction or other event that meets the definition of a transfer of functions. It includes a diagram and requires that entities consider the diagram in determining whether this Standard should be applied in accounting for a transaction or event that involves a transfer of functions or merger.

It furthermore covers Definitions, Identifying a transfer of functions between entities not under common control, The acquisition method, Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred, Measurement period, Determining what is part of a transfer of functions, Subsequent measurement and accounting, Disclosure, Transitional provisions as well as the Effective date of the standard.

The effective date of the standard is for years beginning on or after April 01, 2014.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The municipality is unable to reliably estimate the impact of the amendment on the financial statements.

GRAP 20: Related parties

The objective of this standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

Notes to the Financial Statements

3. New standards and interpretations (continued)

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after April 01, 2014.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

GRAP32: Service Concession Arrangements: Grantor

The objective of this Standard is: to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

It furthermore covers: Definitions, recognition and measurement of a service concession asset, recognition and measurement of liabilities, other liabilities, contingent liabilities, and contingent assets, other revenues, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The municipality is unable to reliably estimate the impact of the standard on the financial statements.

GRAP108: Statutory Receivables

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

3. New standards and interpretations (continued)

The objective of this Standard is: to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

It furthermore covers: Definitions, recognition, derecognition, measurement, presentation and disclosure, transitional provisions, as well as the effective date.

The effective date of the standard is not yet set by the Minister of Finance.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operations.

The adoption of this standard is not expected to impact on the results of the municipality, but may result in more disclosure than is currently provided in the financial statements.

Amendments were made to the Statement of Financial Performance as well as the Statement of Changes in Net Assets.

All amendments to be applied retrospectively.

The effective date of the amendment is for years beginning on or after April 01, 2013

The municipality expects to adopt the amendment for the first time in the 2014 financial statements.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
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4. Biological assets that form part of an agricultural activity

5. Investment property

	2014			2013		
	Cost / Valuation	Accumulated impairment	Carrying value	Cost / Valuation	Accumulated impairment	Carrying value
Investment property	280,014,003	-	280,014,003	278,812,856	-	278,812,856

Reconciliation of investment property - 2014

	Opening balance	Fair value adjustments	Total
Investment property	278,812,856	1,201,146	280,014,003

Reconciliation of investment property - 2013

	Opening balance	Prior period error	Fair value adjustments	Total
Investment property	312,923,205	2,306,104	(36,416,453)	278,812,856

Pledged as security

No investment property has been pledged as security for any financial liabilities

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality

Details of valuation

Investment property which comprises land and building are stated at fair value, which has been determined based on the valuations by E- Evaluations as at 30 June 2014 an industry specialist in valuing these types of properties. Messrs E- Evaluations is the member of the Institute of Valuers, and they have appropriate qualification and recent experience in the valuation of properties in the relevant locations. The valuations, which conform to the International Valuation Standards, was arrived at by reference to market evidence of transactions prices for similar properties.

Messrs E-Evaluations is not related to the municipality.

Previous year's figures of the Investment Property have been restated to correctly disclose all the investment property of the municipality. Please refer to note on " Correction of Error for the details of the restatement.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand

6. Property, plant and equipment

	2014			2013		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land and building	137,763,563	(62,588,085)	75,175,478	93,557,690	(16,413,498)	77,144,192
Infrastructure	802,380,904	(67,515,039)	734,865,865	757,082,239	(30,727,693)	726,354,546
Community	174,762,434	(61,590,759)	113,171,675	97,021,769	(4,619,755)	92,402,014
Other property, plant and equipment	78,535,355	(37,025,901)	41,509,454	62,504,461	(17,699,896)	44,804,565
Total	1,193,442,256	(228,719,784)	964,722,472	1,010,166,159	(69,460,842)	940,705,317

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand

6. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	Capital under construction	Depreciation	Impairment loss	Total
Land and building	77,144,192	537,400	-	(2,506,114)	-	75,175,478
Infrastructure	726,354,546	25,092,629	20,933,729	(37,515,039)	-	734,865,865
Community	92,402,014	8,510,515	16,529,635	(4,270,490)	-	113,171,675
Other property, plant and equipment	44,804,565	7,771,120	-	(10,852,213)	(214,017)	41,509,454
	940,705,317	41,911,664	37,463,364	(55,143,856)	(214,017)	964,722,472

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	Additions	Prior period error	Transfers	Revaluations	Other changes, movements	Depreciation	Impairment loss	Total
Land and Building	88,506,265	3,751,659	1,299,766	-	(12,235,169)	-	-	(4,178,329)	-	77,144,192
Infrastructure	295,361,672	10,275,789	14,516,574	436,928,204	-	-	-	(30,727,693)	-	726,354,546
Community	126,084,487	11,077,858	9,412,558	(49,553,134)	-	1,508,410	-	(6,128,165)	-	92,402,014
Other property, plant and equipment	55,044,932	3,320,997	-	4,138,532	-	-	(422,356)	(16,780,924)	(496,616)	44,804,565
	564,997,356	28,426,303	25,228,898	391,513,602	(12,235,169)	1,508,410	(422,356)	(57,815,111)	(496,616)	940,705,317

Pledged as security

No property, plant and equipment was placed as security for financial liabilities

Impairment

The municipality tested its property, plant and equipment for impairment to ensure that the assets were reflected at the lower of the net book value or recoverable amount. Impairment tests were performed on all group of assets.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
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6. Property, plant and equipment (continued)

Other information

The prior year figures of property plant and equipment has been restated due to errors discovered during the year. Please refer to note on " Correction of error" for details.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
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7. Intangible assets

	2014			2013		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	3,328,529	(2,787,876)	540,653	2,763,950	(1,977,881)	786,069

Reconciliation of intangible assets - 2014

	Opening balance	Additions	Amortisation	Total
Computer software, other	786,069	1,602	(247,018)	540,653

Reconciliation of intangible assets - 2013

	Opening balance	Additions	Prior period error	Amortisation	Impairment loss	Total
Computer software, other	769,629	50,243	562,977	(129,246)	(467,534)	786,069

Pledged as security

All of the municipality's intangible assets are held under freehold interests and no intangible assets pledged as security for any financial liabilities

Restricted title

Computer Software are issued under licence and are restricted to the conditions under which each licence are issued

Intangible Assets with Indefinite Useful Lives

The municipality amortises all its Intangible Assets and no of such assets are regarded as having indefinite useful lives.

The useful lives of Intangible Assets have been re-assessed and there are changes from previous year.

Amortisation is charged on a straight-line basis over the Intangible Assets 's useful lives.

Impairment of Intangible Assets

No impairment losses have been recognised on Intangible Assets of the municipality at the reporting date.

Other Information

Prior year figures of Intangible Assets have been restated due to useful lives of certain items of Intangible Assets still in use being re-assessed . Please refer to the note on Correction of Error for the details of restatement

8. Heritage assets

	2014			2013		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

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8. Heritage assets (continued)

Heritage assets which fair values cannot be reliably measured: (Para .94)

Art Collections, antiquities and exhibits	1,230,501	-	1,230,501	1,131,608	-	1,131,608
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Reconciliation of heritage assets 2014

	Opening balance	Additions	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)			
Art Collections, antiquities and exhibits	1,131,608	98,893	1,230,501

Reconciliation of heritage assets 2013

	Opening balance	Transfers	Total
Heritage assets which fair values cannot be reliably measured: (Para .94)			
Art Collections, antiquities and exhibits	1,128,779	2,829	1,131,608

Heritage assets which fair values cannot be reliably measured

Pledged as security

No Heritage Assets have been pledged as security for financial liabilities

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
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8. Heritage assets (continued)

Transitional provisions

Hibiscus Coast Municipality has staken advantage of the transitional provision as issued by Accounting Standards Board as per Directive 7 . As at 30 June 2013 heritage assets have been initially measured at provisional amounts . Full compliance with GRAP 103 will be in 30 June 2015. Only then will the municipality comply with GRAP 3 in terms of the retrospective application of the restating the cost of hetitage assets as far as 30 June 2011.

List of heritage assets where the values cannot be determined

1. Gcilima Peace Monument
2. The Wreck of The Great Galleon
- 3.Mvutshini Memorial Site
- 4.Masele Memorial Site
- 5.Cannons Port Shepstone Museum
- 6.Cannon Big Guns Margate
- 7.Gamalakhe Memorial Site
- 8.Plaque Memorial Site
- 9.Margate Taxi Rank
10. Margate Taxi Rank
- 11.Cannon Big Guns Uvongo
- 12.Nyandezulu Memorial Site

No inflow of future economic benefits or service potential associated with the above listed Heritage Assets have been deemed to be probable , as required by GRAP 103.13 (b)

No Heritage Assets have been disposed of during the current and prior financial year.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
9. Long-term receivables		
At amortised cost		
Ugu District Municipality	10,034,040	11,305,961
This amount owed by Ugu District Municipality represents the amount paid by Hibiscus Coast Municipality to DBSA on behalf of Ugu District Municipality arising from transfer of powers and functions. The instalment varies and paid in December and June each year.		
Housing Loans	-	17,885
These long-term debtors refers to housing rent schemes that were purchased by the existing owners. The instalments are paid monthly. The housing loans were redeemed during the year.		
	10,034,040	11,323,846
Non-current assets		
At amortised cost	8,762,119	10,375,231
Current assets		
At amortised cost	1,271,921	948,615
10. Employee benefit obligations		
Post retirement health care benefits liability		
Balance at beginning of year	52,495,000	44,601,000
Current service costs	1,577,000	1,322,000
Interest costs	3,732,000	3,532,000
Subsidies paid	(2,384,000)	(1,874,000)
Actuarial (gain)/ loss recognised	6,098,000	4,914,000
Balance at end of year	61,518,000	52,495,000
Transfer to current liabilities	(2,640,000)	(2,054,000)
	58,878,000	50,441,000
The municipality provides certain post-retirement health care benefits liability by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service) is entitled to remain a continued member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees.		
The most recent actuarial valuations of plan assets and the present value of the unfunded defined benefit obligation were carried out at 30 June 2014 by ZAQEN Actuaries (Pty) Ltd, Fellow of the Faculty of Actuaries and Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.		
The members of the post-employment health care benefits plan are made up as follows:		
In-service members (Employees)	484	457
Continuation members (Retirees, widowers and orphans)	84	79
Total members	568	536
The liability in respect of past service has been estimated as follows (R million):		
In-service members	30,549,000	19,860,000
Continuation members	30,969,000	32,635,000
	61,518,000	52,495,000

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
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10. Employee benefit obligations (continued)

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

- Bonitas
- Global Health
- LA Health
- Samwumed

The future-service cost for the ensuing year is estimated to be R1 577 000, whereas the interest cost for the year after is estimated to be R3 732 000.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Assumptions used at the reporting date:

Health care cost inflation rate	7.05 %	7.25 %
Discount rates	8.94 %	6.25 %
Medical aid inflation rate	8.05 %	6.75 %
Expected retirement age	65	65
Net effective discount rate	0.82 %	0.47 %

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of unfunded obligations	61,518,000	52,495,000
Non-current liabilities	(58,878,000)	(50,441,000)
Current liabilities	(2,640,000)	(2,054,000)
	(61,518,000)	(52,495,000)

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1,577,000	1,322,000
Interest cost	3,732,000	3,532,000
Actuarial (gains) losses	6,098,000	4,914,000
	-	-
Total included in employee related costs	11,407,000	9,768,000

Movements in the present value of the defined benefit obligation were as follows:

Balance at the beginning of the year	52,495,000	44,601,000
Current service costs	1,577,000	1,322,000
Interest cost	3,732,000	3,532,000
Benefits paid	(2,384,000)	(1,874,000)
Actuarial losses / (gains) recognised	6,098,000	4,914,000
Present value of fund obligation at the end of the year	61,518,000	52,495,000

Movements in the present value of the defined benefit assets were as follows:

Past-service costs	2,384,000	1,874,000
Assets distributed on settlements	(2,384,000)	(1,874,000)
Balance at the end of the year	-	-

The history of experienced adjustments is as follows:

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
10. Employee benefit obligations (continued)		
	2014 R	2013 R
Present value of defined benefit obligation	61,518,000	52,495,000
Deficit	61,518,000	52,495,000
	2011 R	2010 R
	44,601,000	41,534,194
	2009 R	29,089,041
Experienced adjustments on Plan Liabilities	5,309,000	3,922,000
	4,854,000	690,209
	5,310,000	

The effect of a 1% movement in the assumed rate of health care cost inflation is as follows:

Increase:

Effect on the aggregate of the current service cost and the interest cost	5,722,000	6,100,000
Effect on the defined benefit obligation	64,156,000	60,221,000

Decrease:

Effect on the aggregate of the current service cost and the interest cost	5,178,000	4,590,000
Effect on the defined benefit obligation	58,173,000	46,151,000

Defined benefit plan

Long service awards and retirement gifts liability

Balance at beginning of year	9,797,000	9,718,697
Interest costs	876,000	869,000
Current service cost	670,000	769,303
Benefits paid	(1,480,000)	(1,087,000)
Actuarial (gain)/loss recognised	6,059,000	(473,000)
Total	15,922,000	9,797,000
Transfer to current liabilities	(1,617,000)	(1,119,000)
	14,305,000	8,678,000

The Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2014 ZAQEN Actuaries (Pty) Ltd ,Fellow of the Actuarial Society of South Africa Council offers employees leave awards that may be exchanged for cash on certain anniversaries of commencing service and a retirement gift determined by reference to length of service.

The employees eligible for long service awards are made up as follows:

Male	640	651
Female	450	453
	1,090	1,104

The future -service costs for the ensuring year is estimated to be R876 000 whereas the interest cost for the year after is estimated to be R670 000

The principal assumptions used for the purpose of the actuarial valuations were as follows:

Discount rate	8 %	7 %
General Salary Inflation(Long term)	6 %	7 %
Net Effective Discount Rate	1 %	1 %
Expected Retirement Age	65	65

The amount recognised in the Statement of Financial Position are as follows:

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
10. Employee benefit obligations (continued)		
Present value of unfunded obligations	15,922,000	9,797,000
The amount recognised in the Statement of Financial Performance		
Current service costs	876,000	869,000
Interest cost	670,000	769,000
Actuarial losses/(gains)	6,059,000	(473,000)
	7,605,000	1,165,000
Movements in the present value of the defined benefit obligation were as follows:		
Balance at the beginning of the year	9,797,000	9,719,000
Current service costs	876,000	869,000
Interest costs	670,000	769,000
Benefits paid	(1,480,000)	(1,087,000)
Actuarial losses/(gains)	6,059,000	(473,000)
	15,922,000	9,797,000
Movements in the present value of plan assets were as follows:		
Contributions from employer	1,480,000	1,087,000
Benefits paid	(1,480,000)	(1,087,000)
	-	-
The history of experienced adjustments is as follows:		
Present value of obligation	15,922,000	9,797,000
Th effect of 1% movement in the assumed rate of general salary inflation is as follows:		
Increase		
Effect on the aggregate of the current service cost and the interest cost	1,769,000	1,666,000
Effect on the defined benefit obligation	17,180,000	10,451,000
	18,949,000	12,117,000
Decrease		
Effect on the aggregate of the current service cost and the interest cost	1,467,000	1,438,000
Effect on the defined benefit obligation	14,797,000	9,204,000
	16,264,000	10,642,000
11. Inventories		
Maintenance materials	3,113,110	2,721,228
Housing selling units	24,392	24,392
	3,137,502	2,745,620

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
12. Receivables from non-exchange transactions		
Property rates	79,618,963	74,548,371
Sundry debtors and others	925,208	1,446,106
Prepaid expenses	6,250	31,250
Advances and other debtors	979,658	886,403
Traffic fines	51,326,554	36,261,680
	132,856,633	113,173,810

Receivables from non-exchange transactions pledged as security

There are no other receivables from non-exchange transactions pledged as security for overdraft facilities.

Property rates age analysis

Property rates		
Current (0-30 days)	146,580	5,425,628
31-60 days	5,425,628	5,764,916
61-90 days	4,529,950	4,579,087
90-120 days	3,817,676	4,000,213
>121days	65,699,129	60,054,961
	79,618,963	79,824,805

Prior year figures of receivables from non-exchange transactions has been restated as a result of GRAP 23 implementation. on traffic fines . Please refer to change in accounting policy note for the details of restatement.

13. VAT receivable

VAT	7,683,631	6,012,737
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VAT is payable on the payment basis .Once payment is received from debtors , VAT is payable over to SARS.

14. Receivables from exchange transactions

Gross balances		
Electricity	12,085,019	12,394,508
Interest	21,334,731	18,726,689
Penalties	4,663,147	4,663,147
Legal fees	5,654,720	5,654,720
Refuse	12,719,676	12,191,521
Other receivables	11,719,853	9,218,295
	68,177,146	62,848,880
Less: Allowance for impairment		
Electricity	(3,166,045)	(3,396,640)
Interest	(4,563,012)	(4,563,012)
Waste water	(1,772,484)	(1,205,375)
Sewerage	(2,519,826)	(1,985,322)
Refuse	(6,635,120)	(6,635,120)
Other receivables	(6,534,148)	(6,534,148)
	(25,190,635)	(24,319,617)

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
14. Receivables from exchange transactions (continued)		
Net balance		
Electricity	8,918,974	8,997,868
Interest	16,771,719	14,163,677
Penalties	2,890,663	3,457,772
Legal fees	3,134,894	3,669,398
Refuse	6,084,556	5,556,401
Other debtors	5,185,705	2,684,147
	42,986,511	38,529,263
Included in above is receivables from exchange transactions		
Electricity	8,688,379	8,997,868
Interest	16,771,719	14,163,677
Refuse	2,890,663	5,556,401
Penalties	3,134,894	3,457,772
Legal fees	6,084,556	3,669,398
Other debtors	5,185,705	2,684,147
	42,755,916	38,529,263
Net balance	42,755,916	38,529,263
Electricity		
Current (0 -30 days)	9,337,019	6,582,025
31 - 60 days	657,475	412,091
61 - 90 days	409,138	277,825
91 - 120 days	163,652	220,043
>121 days	1,517,734	1,505,884
	12,085,018	8,997,868
Interests		
Current (0 -30 days)	1,565,285	1,519,469
31 - 60 days	769,500	727,247
61 - 90 days	714,593	683,864
91 - 120 days	681,556	640,484
>121 days	17,603,797	10,592,613
	21,334,731	14,163,677
Penalties		
>121 days	4,096,038	3,457,772
Legal fees		
Current (0 -30 days)	121,343	-
31 - 60 days	54,761	43,889
61 - 90 days	38,928	30,587
91 - 120 days	31,314	39,109
> 121 days	4,873,869	3,555,813
	5,120,215	3,669,398

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
14. Receivables from exchange transactions (continued)		
Refuse		
Current (0 -30 days)	1,570	8,225
31 - 60 days	839,207	814,004
61 - 90 days	652,133	670,328
91 - 120 days	581,779	592,900
>121days	10,644,987	3,470,944
	12,719,676	5,556,401
Other debtors		
Current (0 -30 days)	2,416,428	1,693,679
31 - 60 days	278,748	624,741
61 - 90 days	234,389	365,727
91 - 120 days	236,022	-
121 days and more	8,554,266	-
	11,719,853	2,684,147

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
14. Receivables from exchange transactions (continued)		
Summary of debtors by customer classification		
Consumers		
Current (0 -30 days)	4,771,803	3,909,264
31 - 60 days	5,886,584	6,110,281
61 - 90 days	4,934,171	4,936,784
91 - 120 days	4,294,123	4,377,573
121 - 365 days	86,232,294	80,478,829
	106,118,975	99,812,731
Less: Allowance for impairment	12,434,232	(11,534,521)
	118,553,207	88,278,210
Industrial/ commercial		
Current (0 -30 days)	3,306,942	4,669,745
31 - 60 days	1,197,626	1,042,412
61 - 90 days	981,633	759,381
91 - 120 days	785,234	711,941
121 - 365 days	9,538,637	7,143,393
	15,810,072	14,326,872
Less: Allowance for impairment	(6,543,421)	(7,987,645)
	9,266,651	6,339,227
National and provincial government		
Current (0 -30 days)	5,509,481	4,898,443
31 - 60 days	969,585	1,190,306
61 - 90 days	663,326	763,014
91 - 120 days	432,923	3,796,574
121 - 365 days	17,190,134	12,609,310
	24,765,449	23,257,647
Less: Allowance for impairment	(5,111,370)	(4,797,451)
	19,654,079	18,460,196
Total		
Current (0 -30 days)	13,441,646	13,328,258
31 - 60 days	2,628,169	2,578,084
61 - 90 days	2,049,181	1,880,092
91 - 120 days	1,694,604	4,885,875
121 - 365 days	47,261,934	40,176,571
	67,075,534	62,848,880
Less: Allowance for impairment	(24,089,023)	(24,319,617)
	42,986,511	38,529,263
Less: Allowance for impairment		
61 - 90 days	(6,142,432)	(5,987,456)
91 - 120 days	(6,653,552)	(6,784,653)
121 - 365 days	(11,293,039)	(11,547,508)
	(24,089,023)	(24,319,617)

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
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14. Receivables from exchange transactions (continued)

Reconciliation of allowance for impairment

Balance at beginning of the year	(24,319,617)	(25,753,562)
Contributions to allowance	(1,926,289)	(668,744)
Bad debts written off	2,156,883	2,102,689
	(24,089,023)	(24,319,617)

Consumer debtors pledged as security

There were no consumer debtors pledged as security for overdraft facilities for the period ended 30 June 2014.

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	68,945	27,101
Bank balances	9,519,511	8,552,187
Short-term deposits	141,126,966	141,544,839
	150,715,422	150,124,127

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

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15. Cash and cash equivalents (continued)

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2014	June 30, 2013	June 30, 2012
05 325 607 7-Standard Bank Primary Bank Acc	-	2,752,361	4,557,027	-	2,752,361	4,557,027
1020541857(Nedbank primary bank a/c)	2,835,306	39,357	-	2,835,306	39,357	-
91-4947-5623 ABSA (Louisiana Housing)	9,420,994	9,100,794	9,707,191	9,420,994	9,100,794	9,707,191
91-4947-4529 ABSA (Nzimakwe Housing)	509,366	621,634	571,158	509,366	621,634	571,158
91-4947-4927 ABSA(Nzimakwe Housing2)	846,083	811,931	772,562	846,083	811,931	772,562
91-4947-5509 ABSA (Bhobhoyi Housing)	254,645	357,921	340,624	254,645	357,921	340,624
91-4947-5753 ABSA (Bhobhoyi Housing 1)	12,330	11,854	11,360	12,330	11,854	11,360
91-4947-5208 ABSA (Damaged Housing)	106,669	102,729	98,647	106,669	102,729	98,647
91-4940-1627 ABSA (Uplands Housing)	65,734	63,306	60,791	65,734	63,306	60,791
91-4940-1164 ABSA (Mkholombe Housing)	31,561	30,395	29,187	31,561	30,395	29,187
1400-190309-500(Investec Call Account)	23,185,532	61,109,668	-	23,185,532	61,109,668	-
91-5277-5491 ABSA (Aids Project)	119,111	114,792	110,154	119,111	114,792	110,154
89140-356988 STD Bank (Masinenge Housing)	712,854	1,398,260	3,786,789	712,854	1,398,260	3,786,789
89139-356986 STD Bank (KwaMavundla Housing)	200,075	190,503	181,206	200,075	190,503	181,206
89141-356989 STD Bank (Kwaxolo Housing)	6,647,606	4,440,658	133,354	6,647,606	4,440,658	133,354
90439-364623 STD Bank (KwaNdwane Housing)	680,256	2,083,546	2,429,339	680,256	2,083,546	2,429,339
1400-190309-500 Investec (MHOA)	-	26,722,010	20,320,438	-	26,722,010	20,320,438
89111-356985 STD Bank (CCDC)	42,184,511	33,946,510	97,201,348	42,184,511	33,946,510	97,201,348
89111-357732 STD Bank	3,070,632	89,824	85,441	3,070,632	89,824	85,441
89111-360253 STD Bank	51,770	30,534,658	1,222,235	51,770	30,534,658	1,222,235
1020870974 Nedbank(Current account)	13,404	-	-	13,404	-	-
1039887279 Nedbank(Current account)	7,435,770	-	-	7,435,770	-	-
7881000791 Nedbank(Primary bank account)	53,142,683	-	-	53,142,683	-	-
Total	151,526,892	174,522,711	141,618,851	151,526,892	174,522,711	141,618,851

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
16. Accumulated surplus		
The accumulated surplus consist of the following reserves:		
Housing Development Fund	24,251,354	23,190,033
Capital Replacement Reserve	26,961,788	26,961,788
Government Grant Reserve	216,303,381	216,303,381
Capitalisation Reverse	18,329,539	18,329,539
Donations and Public Contributions Reserve	3,018,235	3,018,235
Accumulated Surplus(Deficit) due to operations	608,760,734	186,399,032
	897,625,031	474,202,008
17. Housing development fund		
Unappropriate surplus	24,251,354	23,190,033
The housing development fund is represented by the following assets and liabilities		
Housing selling scheme loans	24,392	42,802
Trade and other receivables	-	17,885
Bank and cash	24,226,962	23,129,346
Assets	24,251,354	23,190,033
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
National Dept of Treasury (MSIG)	899,951	788,414
National Dept of Treasury (MIG)	6,625,148	-
National Dept of Treasury (EPWP)	-	831,680
	7,525,099	1,620,094
Movement during the year		
Balance at the beginning of the year	1,620,094	6,849,229
Additions during the year	50,613,000	34,087,800
Income recognition during the year	(44,707,995)	(39,316,935)
	7,525,099	1,620,094

Refer to note 23 for the details of conditions not yet met and reconciliation of opening to closing balance of unspent portion.

These amounts are invested in a ring-fenced investment until utilised.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
19. Other financial liabilities		
At amortised cost		
Development Bank of Southern Africa Structured unsecured loans taken over from local municipalities as a result of change of powers and functions. The loan is repaid semi-annually in December and June at various interest rates. The loans are repayable over the period between 10 to 20 years.	4,835,601	6,525,150
Planet Finance Structured unsecured loan repayable monthly in fixed instalments of capital and interest. Loan is repayable over the period between 5 to 10 years.	13,558	29,170
Standard Bank of South Africa Structured unsecured 20 year loan. Repayable semi-annually in October and April in fixed instalments of capital and interest of 11.56 %.	42,235,097	46,409,276
	47,084,256	52,963,596
Total other financial liabilities	47,084,256	52,963,596
Non-current liabilities		
At amortised cost	40,710,492	47,646,012
Current liabilities		
At amortised cost	6,373,764	5,317,584

20. Provisions

Reconciliation of provisions - 2014

	Opening Balance	Contribution	Total
Landfill site rehabilitation	23,700,600	3,047,400	26,748,000

Reconciliation of provisions - 2013

	Opening Balance	Additions	Utilised during the year	Total
Landfill site rehabilitation	28,344,872	(1,011,536)	(3,632,736)	23,700,600

The best estimate for the landfill site rehabilitation, as determined by TGC Engineers, has been based on the present value of the future expected cash flows required to settle the obligation at the reporting date.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
21. Payables from exchange transactions		
Trade payables	9,915,516	6,964,924
Debtors with credit balances	27,975,818	26,391,742
Outstanding payments at year end	22,819,243	10,270,080
Retention	14,126,632	14,248,525
Other payables	14,524,726	8,819,041
Accruals	16,339,011	16,088,414
Leave accrual	16,549,935	12,758,937
Southbroom UIP	403,567	335,339
Overtime and other employee related costs accruals	770,245	1,035,956
Operating lease liability	246,928	211,604
	123,671,621	97,124,562

Operating lease liability

Balance at the beginning of year	211,604	130,362
Operating lease expense recorded	985,453	913,448
Operating lease payments effected	(950,129)	(832,206)
	246,928	211,604

Operating leases are recognised on a straight line basis as required by GRAP 13. The above operating lease liabilities have been recognised.

Operating lease relates to property ,plant and equipment with lease term no longer than 5 years,with an option to extend for further period. The municipality does not have an option to purchase the leased asset at the end of the lease term. The rentals escalates between 8% and 11% and no contingent rent is payable.The following are the minimum lease payments.

Operating lease instalments

Within one year	3,543,442	3,742,035
Later than one year	4,323,322	3,490,311
	7,866,764	7,232,346

22. Consumer deposits

Electricity	5,380,241	5,121,343
Verges and others	13,948,641	12,915,492
	19,328,882	18,036,835

Guarantees in lieu of consumer deposits R 1 076 339 .80 (R 1 130 639.800 : 2013)

23. Financial instruments disclosure

Categories of financial instruments

2014

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	42,985,511	42,985,511
Receivables from non-exchange transactions	83,538,859	83,538,859
Other financial assets	1,271,921	1,271,921

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
Financial instruments disclosure (continued)		
Other financial assets	8,762,119	8,762,119
	136,558,410	136,558,410

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	100,852,378	100,852,378
Consumer deposits	19,328,882	19,328,882
Other financial liabilities	6,373,764	6,373,764
Other financial liabilities	40,710,492	40,710,492
	167,265,516	167,265,516

2013

Financial assets

	At amortised cost	Total
Receivables from exchange transactions	38,529,263	38,529,263
Receivables from non-exchange transactions	76,912,129	76,912,129
Other financial assets	948,615	948,615
Other financial assets	10,808,926	10,808,926
Cash and cash equivalents	150,124,127	150,124,127
	277,323,060	277,323,060

Financial liabilities

	At amortised cost	Total
Payables from exchange transactions	97,124,562	97,124,562
Consumer deposits	18,036,835	18,036,835
Other financial liabilities	5,317,584	5,317,584
Other financial liabilities	47,646,012	47,646,012
	168,124,993	168,124,993

24. Revenue

Service charges	127,014,572	121,991,710
Rental of facilities and equipment	2,309,352	1,777,873
Interest received	9,381,701	8,986,058
Income from agency services	4,321,479	3,920,419
Licences and permits	5,510,732	5,964,970
Other income	13,727,807	18,541,163
Interest received - investment	5,503,599	6,718,379
Property rates	278,498,313	263,953,089
Property rates - penalties imposed	160,499	379,036
Government grants & subsidies	169,190,674	126,453,592
Fines	38,009,367	3,661,678
Public contributions and donations	-	5,612
	653,628,095	562,353,579

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
24. Revenue (continued)		
The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	127,014,572	121,991,710
Rental of facilities and equipment	2,309,352	1,777,873
Interest received	9,381,701	8,986,058
Income from agency services	4,321,479	3,920,419
Licences and permits	5,510,732	5,964,970
Other income	13,727,807	18,541,163
Interest received - investment	5,503,599	6,718,379
	167,769,242	167,900,572
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	278,498,313	263,953,089
Property rates - penalties imposed	160,499	379,036
Transfer revenue		
Government grants & subsidies	169,190,674	126,453,592
Fines	38,009,367	3,661,678
Public contributions and donations	-	5,612
	485,858,853	394,453,007

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
25. Property rates		
Rates received		
Residential	218,925,046	204,469,866
Commercial	40,204,035	39,382,595
Municipal	6,340,728	5,977,480
Small holdings and farms	8,513,130	9,100,776
Mining	113,500	107,077
Agricultural bona fide	982,132	882,636
Institutional	4,292,523	3,318,453
Special purpose	242,059	286,936
State	502,229	460,470
Less: Income forgone	(34,407,245)	(32,404,573)
	245,708,137	231,581,716
Property rates - penalties imposed	160,499	379,036
	245,868,636	231,960,752

Valuations

Residential	27,243,062,000	27,199,731,000
Commercial	2,454,064,000	2,492,177,000
Industrial	531,797,000	515,828,000
Mining	7,004,000	7,004,000
Agricultural bona fide	1,233,661,500	1,213,221,500
Agricultural -mixed	107,884,000	111,547,000
Institutional	1,063,168,000	1,023,579,000
Special purpose	58,676,000	68,244,000
Public service infrastructure	4,470,872,000	4,471,545,000
Municipal owned	444,968,250	443,869,000
Vacant land	1,876,302,000	1,900,984,000
Carport/Garages	62,680,000	62,444,000
Communal	58,605,000	8,674,000
Guest houses/lodges	161,514,000	194,277,000
	39,774,257,750	39,713,124,500

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2012. Interim valuations are performed on a quarterly basis to take into account changes in individual property values due to alterations.

26. Service charges

Sale of electricity	90,729,464	88,494,358
Refuse removal	36,285,108	33,497,352
	127,014,572	121,991,710

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
27. Government grants and subsidies		
Operating grants		
Equitable Share	90,996,000	67,382,000
KZN Housing Grants	15,777,679	7,182,857
Finance Management Grant (FMG)	1,550,000	1,500,000
Municipal Systems Improvement Grant (MSIG)	1,678,414	628,078
KZN Co-operative Governance and Traditional Affair	-	9,000,000
KZN Dept of Arts and Culture (Museums)	286,000	268,000
National Dept of Energy	6,100,049	6,232,737
KZN Dept of Arts and Culture(Libraries)	6,748,000	3,304,600
Expanded Public Works Programme (EPWP)	1,831,680	168,320
KZN Dept of Sports and Recreation	675,000	-
KZN Dept of Transport (Intermodal Facility)	10,000,000	-
	135,642,822	95,666,592
Capital grants		
Municipal Infrastructure Grant (MIG)	33,547,852	30,787,000
	33,547,852	30,787,000
	169,190,674	126,453,592

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

All registered indigents receive a monthly subsidy towards the cost of basic services which is funded from this grant.

Municipal Infrastructure Grant

Current-year receipts	40,173,000	30,787,000
Conditions met - transferred to revenue	(33,547,852)	(30,787,000)
	6,625,148	-

This grant is used to subsidise the cost of providing infrastructure . Certain conditions of the grants have not been met. There was no delay or withholding of the grant.

KZN Department of Housing

Current-year receipts	15,777,679	7,182,857
Transferred to revenue	(15,777,679)	(7,182,857)
	-	-

This grant is used to subsidise the costs of providing housing infrastructure in the Hibiscus Coast area .There was no delay or withholding of the grant.

Finance Management Grant(FMG)

Current-year receipts	1,550,000	1,500,000
Conditions met - transferred to revenue	(1,550,000)	(1,500,000)
	-	-

This grant is used to subsidise the costs of building capacity of the treasury official and payments of salaries of Finance Management Interns.Conditions of the grant have been met. There was no delay or withholding of the grant.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
27. Government grants and subsidies (continued)		
National Department of Energy		
Balance unspent at beginning of year	-	6,232,737
Current-year receipts	7,000,000	-
Conditions met - transferred to revenue	(6,100,049)	(6,232,737)
Balance unspent (Transferred to liabilities)	899,951	-

This grant is used to subsidise the costs of financing electricity infrastructure .Certain conditions of the grant have been met. There was no delay or withholding of the grant.

KZN Department of Co-Operative Governance

Current-year receipts	-	9,000,000
Transferred to revenue	-	(9,000,000)
	-	-

This grant is used to subsidise the costs of developing Margate. There was no delay or withholding of the grant.

Municipal Systems Improvement Grant

Balance unspent at beginning of year	788,414	616,492
Current-year receipts	890,000	800,000
Conditions met - transferred to revenue	(1,678,414)	(628,078)
	-	788,414

This grant is used to subsidise the costs of revising the IDP and other PMS related matters. There was no delay or withholding of the grant.

KZN Department of Arts and Culture(Museums)

Current-year receipts	286,000	268,000
Transferred to revenue	(286,000)	(268,000)
	-	-

This grant is used to subsidise the costs of maintaining museums. Conditions of the grant have been met. There was no delay or withholding of the grant.

KZN Department of Arts and Culture(Libraries)

Current-year receipts	6,748,000	3,304,600
Transferred to revenue	(6,748,000)	(3,304,600)
	-	-

This grant is used to subsidise the costs of maintaining the libraries. There was no delay or withholding of the grant.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
27. Government grants and subsidies (continued)		
Expanded Public Work Programme(EPWP)		
Balance unspent at beginning of year	831,680	-
Current-year receipts	1,000,000	1,000,000
Conditions met - transferred to revenue	(1,831,680)	(168,320)
	-	831,680

This grant is used to create job opportunities for the community of the Hibiscus Coast municipality. Certain conditions of the grant have been met. There was no delay or withholding of the grant.

KZN Dept of Sports and Recreation

Current-year receipts	675,000	-
Transferred to revenue	(675,000)	-
	-	-

This grant is used to subsidise the costs of providing renovating sports stadiums for the community. There was no delay or withholding of the grant.

KZN Dept of Transport (Intermodal Facility)

Current-year receipts	10,000,000	-
Transferred to revenue	(10,000,000)	-
	-	-

This grant is used to subsidise the costs of modernising the transport system .There was no delay or withholding of the grant.

Changes in level of government grants

Based on the allocations set out in the Division of Revenue Act, no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years.

28. Public contributions and donations

Public contributions and donations	-	5,612
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Reconciliation of conditional contributions

Current-year receipts	15,739	5,612
Conditions met - transferred to revenue	(15,739)	(5,612)
	-	-

29. Other income

Margate airport revenue	6,296,947	3,228,118
Skills development levy	-	2,244,198
Admin and clearance certificates	631,139	668,200
Town planning related revenue	2,758,149	2,114,008
Miscellaneous revenue	2,748,918	3,566,253
Traffic and fire related	175,465	454,226
Bad debt recovered	49,057	21,312
Subsidy - Primary Health Care	-	1,768,000
KZN Housing subsidy	62,650	4,476,848
Municipal awards excellence(COGTA)	1,005,482	-

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
29. Other income (continued)	13,727,807	18,541,163
30. General expenses		
Accounting fees	2,445,672	-
Advertising	976,004	822,853
Bank charges	319,504	648,448
Cleaning	1,455,543	1,596,662
Commission paid	449,168	-
Consulting and professional fees	3,072,627	4,720,338
Fines and penalties	583,098	650,657
Radio Licences	1,289,782	811,037
Legal fees	2,683,842	2,362,813
Poverty alleviation projects	154,907	175,787
Hire	2,976,488	1,891,548
Insurance	1,424,892	1,384,297
Free basic indigents	1,312,500	1,535,287
Incorporation costs	-	247,450
Lease rentals on operating lease	13,469,894	11,802,857
Home based care networking	-	19,750
Youth empowerment	1,827,225	856,444
Levies	4,007,750	1,983,869
Medical expenses	1,101	115,396
Postage and courier	1,537,694	779,200
Printing and stationery	1,476,344	1,178,152
Summons	9,120	29,118
Valuation fees	1,346,351	1,872,968
Staff welfare	1,123,266	-
Subscriptions and membership fees	3,129,619	1,975,444
Telephone and fax	6,015,380	5,933,006
Ward secretary allowances	1,462,950	878,900
Training	2,823,669	2,968,444
Travel - local	2,505,033	2,134,279
Third party charge	588,088	552,845
Refuse bags	1,148,618	1,563,171
Electricity projects	5,663,035	2,414,799
Assets expensed	-	205,092
Electricity	8,227,755	7,473,716
Water	3,902,275	3,457,437
Special functions	1,207,055	1,187,418
Security monitoring charges	6,698,996	4,930,039
Back to school campaign	16,950	450,000
Margate airport expenses	3,907,527	3,161,030
Housing expenditure	19,059,683	9,256,948
Budget roadshows	542,163	336,200
Refuse site disposal charges	3,846,198	23,835
Time management system	302,685	236,472
Women golf empowerment	-	1,754,386
KwaNaloga	-	356,291
Intermodal facility	7,425,221	-
Chemicals	892,072	809,195
Traffic fines expenditure -TMT	5,809,455	2,718,267
Ugu jazz	-	650,000
Other expenses	4,783,229	10,499,255
Indigent support	1,150,603	268,365
Assets write off	12,805,370	-
	147,856,401	101,679,765

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
31. Employee related costs		
Basic	170,178,294	148,179,711
Medical Aid , Pension fund and UIF	41,380,520	38,349,389
Defined benefit plans	19,012,000	10,933,000
Travel, motor car, accommodation, subsistence and other allowances	9,595,702	8,112,382
Overtime payments	10,185,792	14,354,285
13th Cheques	12,452,175	11,789,417
Housing benefits and allowances	932,472	747,555
Other employee related costs	16,077,356	16,664,261
	279,814,311	249,130,000

Municipal manager

Annual Remuneration	444,000	598,824
Car , Cellphone , Housing and Other Allowances	592,842	336,797
Contributions to UIF, Medical and Pension Funds	52,647	32,222
	1,089,489	967,843

Chief finance officer

Annual Remuneration	444,000	564,000
Car ,Cellphone ,Housing and Other Allowance	492,449	296,590
Contributions to UIF, Medical and Pension Funds	51,137	50,550
	987,586	911,140

Corporate services

Annual Remuneration	333,000	67,767
Car ,Cellphone,Housing and Other Allowance	303,405	59,520
Contributions to UIF, Medical and Pension Funds	63,931	1,372
	700,336	128,659

The Director Corporate Services resigned in July 2012 and the new Director was employed on September 2013.

Human settlements and infrastructure

Annual Remuneration	385,797	415,423
Car ,Cellphone , Housing and Other Allowance	466,019	255,244
Contributions to UIF, Medical and Pension Funds	95,595	90,211
	947,411	760,878

Protection Services

Annual Remuneration	-	33,845
Car Allowance	-	24,369
Contributions to UIF, Medical and Pension Funds	-	5,030
	-	63,244

The Director Protection services was not employed for the full year as a result of the new revised structure of the municipality and this position was phased out and put under community services department.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
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31. Employee related costs (continued)

Community services

Annual Remuneration	645,151	439,064
Car Allowance	110,000	204,630
Contributions to UIF, Medical and Pension Funds	76,789	39,277
	831,940	682,971

Planning and Economic Development

Annual Remuneration	598,727	-
Car ,Cellphone , Housing and Other Allowance	165,000	-
Contributions to UIF, Medical and Pension Funds	90,517	-
	854,244	-

The Director of Planning and Economic Development started in August 2013.

Strategic planning and Governance

Annual Remuneration	444,000	576,000
Car ,Cellphone , Housing and Other Allowance	414,782	247,089
Contributions to UIF, Medical and Pension Funds	50,925	-
	909,707	823,089

The Director Strategic Planning and Governance started in May 2012 as per revised structure of the municipality.

32. Remuneration of councillors

Mayor	724,669	718,876
Deputy Mayor	583,908	569,828
Speaker	583,908	611,262
Councillors- Full time	5,454,460	4,237,273
Councillors -Part time	10,489,843	10,279,883
	17,836,788	16,417,122

In-kind benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. The Mayor, Deputy Mayor and Speaker are provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

The Mayor has two full-time bodyguards.

33. Debt impairment

Debt impairment	1,926,289	668,744
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34. Investment revenue

Interest revenue

Bank	5,503,599	6,718,379
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Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
35. Fair value adjustments		
Investment property (Fair value model)	1,201,146	(36,416,453)
36. Depreciation and amortisation		
Property, plant and equipment	55,390,874	57,815,112
Intangible assets	-	129,246
	55,390,874	57,944,358
37. Impairment of assets		
Impairments		
Property, plant and equipment	214,017	964,150
Impairment exist predominantly due to property plant and equipment being physically damaged ,stolen or have become redundant.		
38. Finance costs		
Non-current borrowings	5,909,705	6,517,105
39. Audit fees		
Fees	2,130,240	2,650,260
40. Contracted services		
Security and waste management	4,956,677	4,363,857
Lifeguarding services	6,967,119	6,875,009
Verge cutting	7,341,554	6,916,542
Shark meshing fees	5,248,795	5,248,795
Other Contractors	2,906,544	1,578,055
	27,420,689	24,982,258
41. Bulk purchases		
Electricity	67,662,468	63,982,441

Bulk purchases are the cost commodities not generated by the municipality ,which the municipality distribute to the municipal area for resale to consumers. Bulk purchases is purchased from Eskom.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

Notes to the Financial Statements

Figures in Rand	2014	Restated 2013
42. Cash generated from operations		
Surplus (deficit)	4,550,151	(44,195,328)
Adjustments for:		
Depreciation and amortisation	55,390,874	57,944,358
Loss on sale of non-current assets	(1,264,106)	422,356
Write down(Reversal) of inventory	(70,151)	(8,015)
Fair value adjustments	(1,201,146)	36,416,453
Impairment losses	214,017	964,150
Debt impairment	1,926,289	668,744
Movements in long service awards benefits liability	-	852,079
Movements in retirement benefit assets and liabilities	9,023,000	-
Movements in provisions	3,047,400	(4,644,272)
Other non-cash items	-	(5,612)
Changes in working capital:		
Inventories	(391,882)	(133,730)
Consumer debtors	(6,383,537)	(3,342,746)
Other receivables from non-exchange transactions	(13,430,241)	(14,202,231)
Payables from exchange transactions	26,547,059	9,636,305
VAT Receivable	(1,066,578)	(4,321,394)
Unspent conditional grants and receipts	5,905,005	(5,229,135)
Othe liability	1,292,047	1,277,205
	84,088,201	32,099,187

43. Commitments

Authorised capital expenditure

Already contracted for but not provided for

• Property, plant and equipment	14,895,065	16,148,150
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Not yet contracted for and authorised by accounting officer

• Property, plant and equipment	46,838,252	23,237,460
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This committed expenditure relates to plant and equipment and will be financed by funds generated internally and government grants.

44. Contingent liabilities

1. There is pending matter against the municipality regarding eviction proceedings against Margate Amusement Park . The municipality has lodged a petition to High Court decision to the Supreme Court. The estimated legal costs amounts to R413 648 and the outcome of the matter is not known at this stage..

2. There is a claim for R1 168 124 arising from the land disputes among the alleged beneficiaries of the estate . The main issue relating to the municipality being sued as the first defendant pertains to a disputed valuation and sales of certain structures on the property . The matter is pending for trial in September 2014 . The outcome of the matter is not known at this stage. The legal costs amounts to R20 000

3. There is warrant of execution against the municipality 's property in respect of a default judgment taken against the municipality . An application for Rescission of judgment was made to court on 18 March 2014 and was granted in favour municipality . Attorneys have been instructed to file a plea on behalf of the municipality. The amount of the claim is R90 640 plus 15.5% interest.

4. The municipality is being sued for R 250 000 plus 15.5% interest for an alleged assault by municipal police . The attorneys are awaiting trial date which is to be applied for by the plaintiff's attorneys . The legal costs is estimated at R6 388.75 The outcome of the matter is not known at this stage.

Hibiscus Coast Municipality

Financial Statements for the year ended June 30, 2014

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44. Contingent liabilities (continued)

5.The municipality is being sued for R94 956 by the applicant for damages as a results of potholes which caused her to fall and injure her ankle . The plea has been filed on behalf of the municipality . The insurance is recommending the settlement . The outcome of the matter is not known.

6.The judgement has been granted in favour of the employee suing the municipality for R 80 000 plus interest 15.5% for an alleged defamation of character . An appeal has been lodged in respect of the matter and transcripts have been received and filed in court and served on plaintiff's attorneys. Litigation costs pending the finalisation of the matter. The outcome of the matter is not known at this stage. The legal costs is estimated at R83 600

7.The municipality is defending the land eviction claim amounting from Hume Housing . The appeal hearing at the high court is still pending . The municipality is defending the claim and the outcome of the matter is not known at this stage. The estimated legal costs amounts to R55 000

8.The municipality is being sued by the security company objecting against the appointment of other security company. The matter went to court on 15 February 2013 , however the applicants attorneys requested a postponement due to certain legal technicalities on their part and status quo remain. The legal cost amounts to R206 807.

9. There is pending matter against the municipality estimated at R82 570.50 plus 15.5% by the claimant for damages as a result of potholes which caused the claimant to fall and injure her ankle. The plea has been filed on behalf of the municipality. The outcome of the matter is not known at this stage.

10. The municipality is being sued for an estimated R500 000 plus 15.50% as a result of the claimant trying to avoid a rubbish and garbage obstruction on the pavement , fell into open manhole on the corner of Foster and Collin Roads , Uvongo.

11. There has been an objection against the award of the tender for repairs and the outcome of the appeal was that the municipality was ordered to cancel the contract and re-advertise the tender. The applicant has filed a prohibitory interdict against the re-advertisement of the tender. The outcome of the matter is not known at this stage.

12 The municipality is being sued for an estimated R72 478 plus 15.5% interest as it would appear that the communication section had engaged the services of the claimant 's Marquee in respect of various functions of the municipality. The letter of demand have been received from the claimant's attorneys. The feedback from claimant's attorneys is awaited .

13 The municipality has received a claim amounting to R87 164.00 as a result of water damage allegedly caused to the property of the claimant . A summon has been served on the municipality and the intention to defend was filled by the municipality. The outcome is not known at this stage.

14 . The municipality has received a summon from claimant for damages to the tune of R2 778 409.00 allegedly based on loss of income /rental at the instance of the termination of a contract for the provision of Lazy Shades Umbrellas . The municipality is defending the claim and the outcome of the matter is not known at this stage.

15 . The municipality is being sued regarding the eviction of tenants who built permanent structures on the admiralty reserve . The trial date is awaited . The municipality is defending the claim and the outcome of the matter is not known at this stage.

16 . There are various claims involving motor vehicle accident with Law Enforcement Officers . The total amount of the claim amounts to R3 500 000 and the outcome of the matter is not known at this stage.

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44. Contingent liabilities (continued)

17 .On 21 April 2010 SALGA signed the " Categorisation and job evaluation wage curves collective agreement " (Wage curve agreement) with IMATU and SAMWU on behalf of municipalities. The agreement established the wage curves and wage scales to be used by municipalities in determining the wage of municipal employees, based on an evaluation of employees jobs per TASK job evaluation system.

Subsequent to the signing of the agreement , the unions declared a dispute with the agreement . The dispute was referred to the labour court and the court delivered a ruling on 22 June 2012 that employees receive a salary increase backdated with effect from 1 July 2010 instead of 1 July 2011 . SALGA on behalf of the municipalities , applied for leave to appeal this ruling and was granted the right to appeal against the judgement on 29 August 2012 . To date this Labour Court case has not been finalised.

As a result of the uncertainties arising from the disputes declared by the union and the pending litigation regarding the wage curve agreement , the municipality may have an additional payable for the employee wages, depending on the outcome of the pending litigation . It is not practicable to reliably estimate the amount of the amount of this payable prior to the outcome of the pending litigation.

Contingent assets

1. The municipality has instituted claims with various ratepayers regarding the contravention of the town planning related act of the municipality. The matter is still ongoing and the outcome is not known at this stage.

Hibiscus Coast Municipality

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45. Related parties		
Relationships		
Municipal entities	Hibiscus Coast Development Agency and South Coast Tourism	
Members of key management	Refer to employee related costs note 31	
Councillors	Refer to councillors remuneration	
The Hibiscus Coast Development Agency is the wholly owned subsidiary of the Hibiscus Coast Municipality.		
Related party transactions		
Revenue of service charges paid by the related parties		
Councillors	90,984	116,169
Senior management	39,168	(5,632)
	130,152	110,537
Outstanding amount of service charges from related parties		
Councillors	30,167	14,002
Senior management	4,974	1,358
	35,141	15,360
Grants paid to municipal entity		
Hibiscus Coast Development Agency	1,500,000	1,500,000
Hibiscus Coast Development Agency	1,500,000	2,100,000
South Coast Tourism	1,500,000	-
	4,500,000	3,600,000
Compensation to accounting officer and other key management		
Accounting officer and key management personnel	6,320,713	4,388,291
Remuneration of councillors	17,836,788	16,417,122
	24,157,501	20,805,413

Senior management refers to the municipal manager and all other managers that directly report to the municipal manager.

Grant amounting to R1.5 and R1.5 million was paid by the municipality to Hibiscus Coast Development Agency to ensure that the agency is able to run its operations during the year and for projects to be done by the municipal entity respectively. No conditions attached to the grant.

And the municipality paid a grant amounting to R 1500 000 to South Coast Tourism to ensure that the municipal entity is able to function effectively

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46. Prior period errors

During the year the municipality discovered various errors relating to mostly property plant and equipment , Intangible assets, Heritage Assets and Investment property as well long-term debtors . The restatement of these assets and accumulated surplus are detailed below.

During the year it was discovered that long-term debtors amounting to R433 695 was erroneously omitted from the accounting records in 2013. This relates to amount owed by Ugu District Municipality that resulted in loan taken over by the municipality on behalf of Ugu to DBSA arising from transfers of powers and functions

The restatement has an effect on the accumulated surplus and the restatement is as follows:

44.1 Long-term debtors

Balance previously published as per AFS as at 30 June 2013	-	11,739,656
Ugu (DBSA) payments not properly accounted for	-	(433,695)
Balance now published as per AFS as at 30 June 2013	-	11,305,961

During the year , It was discovered that an item of PPE was incorrectly classified as part of PPE where in fact it should have been part of Heritage Assets. This resulted in the restatement of prior year figures for Heritage Assets. The details are as follows.

44.2 Heritage Assets

Balance previously published as per AFS as at 30 June 2013	-	1,128,779
Transfer from Community Assets	-	2,830
Balance now published per AFS as at 30 June 2013	-	1,131,609

During the year it was discovered that an item of intangible assets still in use has been fully depreciated and this resulted in useful lives being reviewed . The review of useful lives resulted in accumulated depreciation being changed.

44.3 Intangible Assets

Balance previously published as per AFS 30 June 2013	-	223,092
Useful life re-assessment	-	562,977
Balance now published per AFS as at 30 June 2013	-	786,069

During the year it was discovered certain items of Investment Property were incorrectly classified . This resulted in the prior year figures of Investment Property and Property Plant and Equipment being being restated

44.4 Investment Property

Balance previously published as per AFS 30 June 2013	-	276,506,752
Transfer from investment property to PPE	-	(12,805,370)
Transfer from PPE to Investment Property	-	15,111,475
Balance now published per AFS as at 30 June 2013	-	278,812,857

During the year it was discovered that certain items of PPE have been misallocated to other categories of assets ie Investment Property and Heritage Assets and this resulted in the amount of PPE for last year being restated to correctly reflect PPE items of the municipality .

1. Land and Building : Certain items of PPE were incorrectly included in the fixed assets register and this resulted in those assets being removed and depreciation on vacant land has been incorrectly calculated .

2. Community Assets : Certain items of PPE were incorrectly classified and others removed from FAR.

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46. Prior period errors (continued)

3. Other Assets : Certain items of Other Assets have been incorrectly classified , other assets previously written off not removed from FAR. and fully depreciated assets still in use 's useful lives were re-assessed.

4. Infrastructure Assets : Please refer to the note below for the details of the correction of error on infrastructure.

The details of the restatement is as follows .

44.5 Property Plant and Equipment

Balance previously published as per AFS 30 June 2013	-	561,426,884
Land :Items of land and building removed from FAR	-	(10,928,215)
Land:Depreciation incorrectly calculated	-	18,904,147
Land :Incorrect classification of land and building	-	(20,211,101)
Community Assets: Items of community assets removed	-	(8,073,200)
Community Assets: Incorrect classification	-	(41,479,934)
Other Assets: Incorrect classification	-	550
Other Assets: Asset previously written off not removed from FAR	-	(1,136,770)
Other Assets : Fully depreciated assets still in use	-	5,274,751
Infrastructure Assets: Refer to sub note for the details below	-	386,364,125
Infrastructure Assets : Reclassification from community assets	-	50,564,080
Balance now published as per AFS 30 June 2013	-	940,705,317

During the year an exercise was undertaken to properly account for the infrastructure of the municipality . The Fixed Asset Register for the infrastructure was reconstructed using the deemed purchase date of 01 July 2009 as per ASB Directive. The exercise resulted in the new Fixed Asset Register for infrastructure being developed. and the existing Fixed Asset Register was discarded.

The prior year balances of the infrastructure assets were restated and the details are as follows.

PPE :Infrastructure Assets

Balance previously published as per AFS 30 June 2009	-	1,286,094,438
Additions for the year 2009/2010	-	4,594,320
Work in Progress 2009/2010	-	23,040,854
Accumulated Depreciation 2009/2010	-	(520,963,461)
Depreciation for the year 2010	-	(33,891,339)
Additions for the year 2010/2011	-	19,508,799
Work in Progress 2010/2011	-	6,218,280
Depreciation 2010/2011	-	(34,391,239)
Additions for the year 2011/2012	-	6,050,735
Work in Progress 2011/2012	-	19,136,540
Depreciation	-	(35,375,355)
Transactions for the year 2012-2013	-	(13,668,027)
Balance now published per AFS as at 30 June 2013	-	726,354,545

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47. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. The municipality uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (entity treasury) under policies approved by the accounting officer. Municipality treasury identifies, evaluates and hedges financial risks in close co-operation with the municipality's operating units. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

The Directorate :Treasury monitors and manages the financial risks relating to the operations through internal policies and procedures . These risks includes interest rate risk, credit risk and liquidity . Compliance with policies and procedures is reviewed by internal auditors on a continuous basis,and annually by external auditors. The municipaliy does not enter into or trade financial instruments for speculative purposes.

Internal audit,responsible for initiating a control framework and monitoring and responding to potential risk ,reports quarterly to the municipality's audit committee,an independent body that monitors the effectiveness of the internal audit function.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

The table below analyses the municipality's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

At June 30,2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables	100,852,378	-	-	-	100,852,378
Other financial liabilities	6,373,764	6,904,096	22,848,900	10,957,496	47,084,256
	107,226,142	6,904,096	22,848,900	10,957,496	147,936,634

At June 30,2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Trade payables	97,124,562	-	-	-	97,124,562
Other financial liabilities	5,545,199	6,776,773	14,138,760	26,502,863	52,963,595
	102,669,761	6,776,773	14,138,760	26,502,863	150,088,157

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47. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2014	2013
Receivables from exchange transactions	42,986,511	38,529,263
Receivables from non-exchange transactions	83,538,859	76,912,129
Other financial assets	10,034,040	11,757,541
Bank balances and cash	141,195,911	150,124,127

48. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

49. Events after the reporting date

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

50. Unauthorised expenditure

Opening balance	18,112,545	18,112,545
Unauthorised expenditure -Current year	3,534,780	-
Condoned during the year	(18,112,545)	-
	3,534,780	18,112,545

The adjusted budget has been exceeded by the following amounts:

- General Expenses R3 200 584
- Transfers and grants paid R 334 196

A detailed report will be prepared and tabled to the next council for condonation of the unauthorised expenditure.

51. Fruitless and wasteful expenditure

Opening balance	62,820	-
Fruitless and wasteful expenditure - Current year	99,260	62,820
Condoned/ written off by council	(162,080)	-
	-	62,820

The payment was made to the Estuary Hotel for the Strategic Planning Session that was to be held at the Hotel. However, the Strategic Planning Session was postponed and the payment was not paid back to Council.

A detailed report has been tabled to council to condone the expenditure

Hibiscus Coast Municipality

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52. Irregular expenditure		
Opening balance	8,149,593	5,810,102
Add: Irregular Expenditure - current year	1,490,821	17,262,747
Add: Irregular Expenditure - Previous years	-	3,074,694
Less: Amounts Condoned	(9,640,414)	(17,997,950)
	-	8,149,593

Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
The irregular expenditure amounting to R1 361 861 for supply and installation of streetlights was incurred without following normal SCM processes.	A detailed report was submitted and condoned by the council.	1,361,861
There were no tax clearance certificate and declaration of interest for the supplier regarding the lunch for Blue flag launch.	A detailed report was submitted and condoned by the council.	29,700
Payment amounting to R99 260 was paid to a supplier for accomodation without tax clearance , declaration of interest and the supplier was no on the database of the municipality.	A detailed report report was submitted and condoned by the council.	99,260
		1,490,821

53. Additional disclosure in terms of Municipal Finance Management Act

Contributions to organised local government

Amount paid - current year	2,903,000	1,888,000
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Electricity losses

Electricity losses - Current year	7,196,581	3,764,551
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The municipality average electricity losses to be approximately 6.per cent(10 292 976 units loss) . The loss is calculated by comparing quantity of electricity sold to quantity purchased.

Audit fees

Amount paid - current year	2,072,654	2,650,260
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PAYE and UIF

Current year payroll deductions	29,545,432	25,023,225
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Pension and Medical Aid Deductions

Current year payroll deductions	39,848,743	36,693,828
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Hibiscus Coast Municipality

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Notes to the Financial Statements

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53. Additional disclosure in terms of Municipal Finance Management Act (continued)		
VAT		
VAT receivable	7,683,631	6,012,737
VAT payable	604,316	-
	8,287,947	6,012,737

VAT output payables and VAT input receivables are shown in note .

All VAT returns have been submitted by the due date throughout the year.

Councillors' arrear consumer accounts

No councillors had arrear accounts outstanding for more than 90 days at June 30, 2014:

54. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the financial statements. The deviations as listed hereunder have since been condoned by council.

- 1.Appointment of a service provider for verge maintenance amounting to R 331 847.19 . The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
- 2.Appointment of two fuel supply companies amounting to R 9 068 947.31 were made . The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
3. Payments of R246 933.42 were made to various newspaper companies for advertising . The appointment of these were only made through a resolution and the process followed for procuring deviated from from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
4. Payments amounting to R 544 233.26 to electrical company for the annual Afrika Bike Week .The process followed for procuring those services deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
- 5.Payments amounting to R239 900 to Margate hotel for the annual youth summit . The accounting officer exercised his powers in terms of section 36 . The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
6. Procurement of books amounting to R 198 330.03 was made and the accounting officer deviated form the normal SCM processes as the supplier is regarded as the sole supplier of the books.The reasons for these deviations were documented as these were urgent matters and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
7. Payments for streetcleaning amounting to R 343 095.28 were made through the accounting officer's approval as the matter was regarded as urgent. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.
- 8.The appointment of various service provider for repairs and maintenance amounting to R 320 469.14 and these repairs and maintenance were regarded as urgent and the accounting officer approved the deviation from normal SCM processes.

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54. Deviation from supply chain management regulations (continued)

9. Payments for R 323 626.98 as a result of the expired contract was made through an EXCO resolution . The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

10. Payments amounting to R3 597 827.00 to suppliers for various goods and services such as indigent burials, transportation , Annual licence renewals, courier services , website costs, accomodation , audit fees etc.. The reasons for these deviations were documented and reported to the accounting officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

55. Budget differences

Material differences between budget and actual amounts

It is a general practice to deem that a 10% deviation on operational revenue and expenditure versus the final budget as material.

1. Service Charges (11% Under) . The reason for under collection is the refuse charges not collected according to the budget.
2. Licences and Permits (14% Under) . Revenue anticipated not fully collected.
3. Government Grants and Subsidies (47% Under) . The reason is the GRAP 23 implementation.
4. Fines (283% Under) . The reason is the IGRAP 1 that was effective in the current year.

Hibiscus Coast Municipality
Appendix A

Schedule of external loans as at 30 June 2013

Loan Number	Redeemable	Balance at Sunday, June 30, 2013	Received during the period	Redeemed written off during the period	Balance at Monday, June 30, 2014	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Annuity loans							
DBSA	61000011	30/09/2012	990,776	-	990,776	-	-
DBSA	61001233	30/09/2012	1,897,108	-	242,727	1,654,381	-
DBSA	61002326	30/09/2017	119,060	-	42,622	76,438	-
DBSA	61002330	31/12/2012	20,337	-	20,337	-	-
DBSA	61002332	31/12/2012	80,294	-	80,294	-	-
DBSA	61002409	30/06/2015	482,967	-	482,967	-	-
DBSA	61002140	30/06/2015	48,506	-	11,121	37,385	-
DBSA	61002518	30/06/2015	316,531	-	76,205	240,326	-
DBSA	61002519	31/12/2012	307,616	-	307,616	-	-
DBSA	61002559	31/12/2011	290,526	-	134,531	155,995	-
DBSA	61002560	31/12/2012	9,013	-	9,013	-	-
DBSA	61002563	30/06/2012	49,516	-	49,516	-	-
DBSA	61002905	30/06/2016	318,642	-	55,299	263,343	-
DBSA	61003180	31/12/2019	2,276,691	-	289,706	1,986,985	-
DBSA	61003298	31/12/2021	2,350,854	-	240,559	2,110,295	-
Planet Finance	7036153002	15/12/2013	49,758	-	20,588	29,170	-
INCA	HHIBI-00	31/12/2012	945,033	-	945,033	-	-
Standard Bank	252495690	07/10/2020	50,139,748	-	3,730,473	46,409,275	-
			60,692,976	-	7,729,383	52,963,593	-
Total external loans			60,692,976	-	7,729,383	52,963,593	-

**Hibiscus Coast Municipality
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Appendix B**

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Land and buildings														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	93,975,490	-	-	-	(5,005,110)	-	(5,005,110)	88,970,380
	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	93,975,490	-	-	-	(5,005,110)	-	(5,005,110)	88,970,380
Infrastructure														
Infrastructure	293,683,453	31,417,908	-	-	-	-	325,101,361	-	-	-	(29,739,688)	-	(29,739,688)	295,361,673
	293,683,453	31,417,908	-	-	-	-	325,101,361	-	-	-	(29,739,688)	-	(29,739,688)	295,361,673
Community Assets														
Community Assets	96,170,748	35,029,138	-	-	-	-	131,199,886	-	-	-	(5,115,397)	-	(5,115,397)	126,084,489
	96,170,748	35,029,138	-	-	-	-	131,199,886	-	-	-	(5,115,397)	-	(5,115,397)	126,084,489

Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2012
Cost/Revaluation **Accumulated depreciation**

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Heritage assets														
Other	1,051,670	77,109	-	-	-	-	1,128,779	27,491	-	-	-	-	27,491	1,128,779
	1,051,670	77,109	-	-	-	-	1,128,779	27,491	-	-	-	-	27,491	1,128,779
Specialised vehicles														
Refuse	2,538,587	-	-	-	-	-	2,538,587	5,396,146	-	604,615	-	-	6,000,761	1,933,972
	2,538,587	-	-	-	-	-	2,538,587	5,396,146	-	604,615	-	-	6,000,761	1,933,972
Other assets														
Plant & equipment	27,700,590	8,643,303	(3,014,312)	-	-	-	33,329,581	-	-	-	(7,414,950)	(316,655)	(7,731,605)	25,597,976
	27,700,590	8,643,303	(3,014,312)	-	-	-	33,329,581	-	-	-	(7,414,950)	(316,655)	(7,731,605)	25,597,976

**Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B**

Analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated depreciation

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	93,975,490	-	-	-	(5,005,110)	-	(5,005,110)	88,970,380
Infrastructure	293,683,453	31,417,908	-	-	-	-	325,101,361	-	-	-	(29,739,688)	-	(29,739,688)	295,361,673
Community Assets	96,170,748	35,029,138	-	-	-	-	131,199,886	-	-	-	(5,115,397)	-	(5,115,397)	126,084,489
Heritage assets	1,051,670	77,109	-	-	-	-	1,128,779	27,491	-	-	-	-	27,491	1,128,779
Specialised vehicles	2,538,587	-	-	-	-	-	2,538,587	5,396,146	-	604,615	-	-	6,000,761	1,933,972
Other assets	27,700,590	8,643,303	(3,014,312)	-	-	-	33,329,581	-	-	-	(7,414,950)	(316,655)	(7,731,605)	25,597,976
	539,145,599	75,223,608	(4,026,312)	(23,069,211)	-	-	587,273,684	5,423,637	-	604,615	(47,275,145)	(316,655)	(41,563,548)	539,077,269
Agricultural/Biological assets														
Intangible assets														
Other	679,777	69,943	-	-	-	-	749,720	-	-	-	(282,186)	-	(282,186)	467,534
	679,777	69,943	-	-	-	-	749,720	-	-	-	(282,186)	-	(282,186)	467,534
Investment properties														
Investment property	260,856,000	-	(1,290,000)	23,069,211	-	27,470,211	310,105,422	-	-	-	-	-	-	310,105,422
	260,856,000	-	(1,290,000)	23,069,211	-	27,470,211	310,105,422	-	-	-	-	-	-	310,105,422
Total														
Land and buildings	118,000,551	56,150	(1,012,000)	(23,069,211)	-	-	93,975,490	-	-	-	(5,005,110)	-	(5,005,110)	88,970,380
Infrastructure	293,683,453	31,417,908	-	-	-	-	325,101,361	-	-	-	(29,739,688)	-	(29,739,688)	295,361,673
Community Assets	96,170,748	35,029,138	-	-	-	-	131,199,886	-	-	-	(5,115,397)	-	(5,115,397)	126,084,489
Heritage assets	1,051,670	77,109	-	-	-	-	1,128,779	27,491	-	-	-	-	27,491	1,128,779
Specialised vehicles	2,538,587	-	-	-	-	-	2,538,587	5,396,146	-	604,615	-	-	6,000,761	1,933,972
Other assets	27,700,590	8,643,303	(3,014,312)	-	-	-	33,329,581	-	-	-	(7,414,950)	(316,655)	(7,731,605)	25,597,976
Intangible assets	679,777	69,943	-	-	-	-	749,720	-	-	-	(282,186)	-	(282,186)	467,534
Investment properties	260,856,000	-	(1,290,000)	23,069,211	-	27,470,211	310,105,422	-	-	-	-	-	-	310,105,422
	800,681,376	75,293,551	(5,316,312)	-	-	27,470,211	898,128,826	5,423,637	-	604,615	(47,557,331)	(316,655)	(41,845,734)	849,650,225

**Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B**

Analysis of property, plant and equipment as at 30 June 2011	
Cost/Revaluation	Accumulated depreciation

Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Other assets	-	-	2,550,295	-	-	-	2,550,295	-	2,550,295	-	-	-	2,550,295	5,100,590

Hibiscus Coast Municipality
Hibiscus Coast Municipality
Appendix B

Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation	Accumulated depreciation
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	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand
Total property plant and equipment	-	-	2,550,295	-	-	-	2,550,295	-	2,550,295	-	-	-	2,550,295	5,100,590
Investment properties														
Total														
Other assets	-	-	2,550,295	-	-	-	2,550,295	-	2,550,295	-	-	-	2,550,295	5,100,590
	-	-	2,550,295	-	-	-	2,550,295	-	2,550,295	-	-	-	2,550,295	5,100,590

Hibiscus Coast Municipality Appendix C

Segmental analysis of property, plant and equipment as at 30 June 2012	
Cost/Revaluation	Accumulated Depreciation
<p>Land and buildings</p> <p>Cost</p> <p>Revaluation</p>	<p>Accumulated Depreciation</p>

	Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment deficit Rand	Closing Balance Rand	Carrying value Rand
Municipality														
Balance sheet	221,314,259	23,640,540	-	-	-	-	244,954,799	-	-	-	(22,304,766)	-	(22,304,766)	222,650,033
Finance & Admin/Finance	73,420,863	7,854,477	-	-	-	-	81,275,340	-	-	-	(7,434,922)	-	(7,434,922)	73,840,418
Planning and Development/Economic Development/Plan	19,234,149	7,005,827	-	-	-	-	26,239,976	-	-	-	(1,023,079)	-	(1,023,079)	25,216,897
Human Settlements	76,936,598	28,023,309	-	-	-	-	104,959,907	-	-	-	(4,092,318)	-	(4,092,318)	100,867,589
Comm. & Social/Libraries and archives	118,000,560	56,150	(1,012,000)	(23,069,211)	-	-	93,975,499	-	-	-	(5,005,110)	-	(5,005,110)	88,970,389
Other	30,239,178	8,643,303	(3,014,312)	-	-	-	35,868,169	-	-	-	(8,019,574)	(316,655)	(8,336,229)	27,531,940
Environmental Protection/Pollution Control	915,155	-	(972,999)	-	-	-	(57,844)	(510,753)	(972,999)	-	-	-	(1,483,752)	(1,541,596)
	540,060,762	75,223,606	(4,999,311)	(23,069,211)	-	-	587,215,846	(510,753)	(972,999)	-	(47,879,769)	(316,655)	(49,680,176)	537,535,670
Municipal Owned Entities														
Total														
Municipality	540,060,762	75,223,606	(4,999,311)	(23,069,211)	-	-	587,215,846	(510,753)	(972,999)	-	(47,879,769)	(316,655)	(49,680,176)	537,535,670
	540,060,762	75,223,606	(4,999,311)	(23,069,211)	-	-	587,215,846	(510,753)	(972,999)	-	(47,879,769)	(316,655)	(49,680,176)	537,535,670

Hibiscus Coast Municipality Appendix D

Segmental Statement of Financial Performance for the year ended	
Prior Year	Current Year

[illegible]

Hibiscus Coast Municipality
Appendix D

Segmental Statement of Financial Performance for the year ended
Prior Year **Current Year**

Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand		Actual Income Rand	Actual Expenditure Rand	Surplus /(Deficit) Rand
			Rand			
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
-	-	-		-	-	-
588,800,671	570,426,678	18,373,993	Total	567,709,087	549,288,778	18,420,309

Hibiscus Coast Municipality
Appendix E(1)

Yearly

	Forecast # 1 2014 Act. Bal.	Forecast # 1 2014 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
Revenue					
Service charges	121,991,710	132,887,119	(10,895,409)	(8.2)	
Rental of facilities and equipment	1,777,873	2,711,199	(933,326)	(34.4)	Insignificant increase in rental of facilities
Interest received	8,986,058	8,558,374	427,684	5.0	
Income from agency services	4,050,965	3,300,000	750,965	22.8	Under budgeted for
Licences and permits	5,964,970	5,788,403	176,567	3.1	
Property rates	264,332,125	301,714,835	(37,382,710)	(12.4)	Budget includes rebates
Other income	22,041,176	27,801,060	(5,759,884)	(20.7)	Clinic subsidies received
Interest received - investment	6,718,379	5,249,977	1,468,402	28.0	More investment made than anticipated
Grants	126,453,592	98,385,275	28,068,317	28.5	
	562,316,848	586,396,242	(24,079,394)	(4.1)	
Expenses					
Personnel	(249,062,804)	(248,353,250)	(709,554)	0.3	
Remuneration of councillors	(16,417,122)	(16,417,122)	-	-	
Depreciation	-	-	-	-	
Finance costs	(4,540,707)	(7,855,104)	3,314,397	(42.2)	Standard Bank interest not adequately budgeted for
Debt impairment	(668,744)	(4,460,957)	3,792,213	(85.0)	More debt written off
Repairs and maintenance - General	(37,200,805)	(34,411,000)	(2,789,805)	8.1	
Bulk purchases	(63,982,441)	(57,863,000)	(6,119,441)	10.6	
Contracted Services	(24,982,258)	(24,454,070)	(528,188)	2.2	
Grants and subsidies paid	(6,065,509)	(5,938,000)	(127,509)	2.1	
General Expenses	(102,717,256)	(211,718,941)	109,001,685	(51.5)	Housing and electricity expenditure not budgeted for
	(505,637,646)	(611,471,444)	105,833,798	(17.3)	
Other revenue and costs					
Net surplus/ (deficit) for the year	56,679,202	(25,075,202)	81,754,404	(326.0)	

Hibiscus Coast Municipality Appendix E(2)

Budget Analysis of Capital Expenditure as at 30 June 2010

[illegible]